

DRAFT ANNUAL BUDGET

OF

UPHONGOLO MUNICIPALITY

2014/15 TO 2016/17
MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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ITHALA GAME RESERVE

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Abbreviations and Acronyms

SGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CFO	Chief Financial Officer
CPI	Consumer Price Index
DoRA	Division of Revenue Act
EE	Employment Equity
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Medium Term Revenue and Expenditure Framework. Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Honourable Speaker
Honourable Deputy Mayor
Honourable Chairperson of MPAC
Honourable Councillors
The Administration of the Municipality
And all present, I greet you.

Honourable Speaker, let me voice my gratitude to the opportunity granted to me to present this budget to you, which is the third of our term of office.

This municipal budget is presented against the background of us having started to celebrate 20 years of freedom. As a matter of fact, Honourable Speaker, last week Tuesday, on the 25th of March 2014, we received the flame of freedom, which was so invigorating to us to be part of greater South Africa in such a celebration.

Indeed, Honourable Speaker and the House, it is difficult or near impossible for me to put any price to freedom. The freedom we achieved in this glorious land of our forefathers (onse vaderland, izwe lokhokho bethu) followed a long and crooked road of people fighting to cast away chains of oppression and along the way many of our fore bearers had to die for us to be free.

One of those who had to die liberating this country was Solomon 'Kalusha' Mahlangu. Solomon Mahlangu had to face the gallows without any particle of fear and as a dead wish he said to his persecutors "*Tell my people that I love them and tell them that my blood will nourish the tree of their freedom*". Honourable Speaker, he and many others had to pay the ultimate sacrifice for us to have the freedom we enjoy today.

Honourable Speaker and the House, freedom is a pedestal upon which all nations of the world should build their progress, hence ours. It is true that our nation has established the foundations of development and progress, and surely Honourable Speaker and the house, we are reaping the fruits of our freedom. Today, we have a National Development Plan which is a blue-print for all developmental activities that we all must follow towards 2030.

From the echo's of our neighbours and the world, who never stop to congratulate South Africa for the progress made, surely, Honourable Speaker I fully agree with President Jacob Zuma when he says we have a good story to tell. With the development that we have made as a country, really it is so joyous to be a South African today.

Ours is uPhongolo, which is a small town but a very important part of South Africa *(I hope you won't falter me when I say uPhongolo is very important, since South Africa is not complete without us).*

In the past three years, against the strict fiscus, we have managed to:

(a) send ten (10) learners from poor backgrounds to different universities each year, which is the evidence of our commitment to the foundations of personal development through education. In doing that, Honourable Speaker, let me mention that gender balance was taken into cognisance.

(b) construct access roads in many of the rural wards i.e. ward 3,5,6,7,9 and 14. Currently the dust is flying in ward 12 and 13, our people will now be able to drive to their houses or be transported straight to their households.

(c) begin tarring numerous streets in Ncotshane Township, this is a project that will span for over two years. We have also started to repair some of the roads in town.

(d) electrify more than 2 000 households in many of the rural wards and have set up high mast lights in Ncotshane, which will be lit soon. As I mention the electrification programme, I am reminded of an old man in Manyandeni, ubaba uJimbiliza Ndlangamandla, who expressed his approval and said that he nearly left this firmament without having realised the beauty of using electricity in his home. That was quite encouraging to me, Honourable Speaker and the house, to hear a member of our society appreciating the efforts by our municipality to better their lives. In fact, I am now more emboldened by such words to lead this municipality in fast-tracking service delivery to our society.

In conclusion, Honourable Speaker and the House, allow me to present to you the 2014/2015 draft budget, which is our commitment to continue improving the lives of our people.

Honourable Speaker. this annual budget for the 2014/15 Medium Term Revenue and Expenditure Framework (MTREF) is linked to the updated IDP for the period up to 30 June 2017. This is a very tight budget and aims at ensuring that levels of revenue are maintained to ensure continuation of current basic service levels and in doing so by following the guidelines issued by the National Treasury for the 2014/15 MTREF.

The main challenges that the municipality has to grapple with over the 2014/15 MTREF are as follows:

- The ongoing difficulties in the economy;
- Aging electricity and road infrastructure;
- Increased cost of bulk electricity purchases;
- Ongoing increases in fuel prices above inflation; and
- The implementation of a new valuation roll as from 1 July 2014.

Considering the background of these challenges it is imperative that the financial position of the municipality is sustained over the medium term and new ways are explored to generate additional revenue resources to maintain, renew and expand investment infrastructure. Instead of looking up to the National Government to invest in the municipal infrastructure by way of conditional grants, the other way that the Council needs to explore is to recognize the key role that business can play in developing and investing in the municipal infrastructure to improve the living conditions of our community.

Honourable Speaker, the new budget herewith presented amounts to R199,8 million comprising R143,5 million for operating expenditure and R56,3 million for capital expenditure.
An amount of R26,789 million and R12 million is nationally allocated to invest in the roads and electricity infrastructure respectively representing an increase of R1,104 million. The municipal allocation in terms of the equitable share has increased from R66,389 to R76,982 in 2014/15, an increase of R10,593 million. The operating conditional grants have grown from R4,815 to R5,873 in 2014/15.

Honourable Speaker. Councillors are reminded that the municipality could not implement the general valuation roll in 2013/14 due to challenges that were experienced in that financial year. It is pleasing to note that a new valuation roll is now available and will be implemented from 1 July 2014. According to the new valuation roll the valuation of properties has increased from R2,326 billion to R3,235 billion. Consequently the revenue from property rates is expected to increase from R17,8 million to R23,4 million.

The budget is balanced and fully funded with a net budgeted surplus of R7,3 million which will be used to finance a portion of capital expenditure. It needs to be mentioned that investments are projected to decrease over the medium term unless drastic measures are not put in place to reduce the level of consumer debts.

The municipality needs to remain focused on effective delivery of core municipal services that are economical and equitable to all communities. Tariffs for services must be cost-effective.

The proposed tariff adjustments to recover service costs are as follows:
- An average increase in property rates revenue of 6.2%
- An average increase in the revenue removal revenue of 6.2%
- An average increase in electricity revenue of 7.39% (as directed by Nersa)

In addition to the abovementioned tariffs, the following rebates are proposed for 2014/15:
- In addition to the impermissible reduction of R15 000 per residential property a further rebate of R45 000 per residential property is proposed. The gives a total reduction of R60 000 per residential property.
- A rebate of 100% per indigent household is proposed.
- A rebate of 25% is proposed for farmers that support economic development in the municipal area.

The budget that is presented here today will ensure that the current service delivery levels are maintained. However, there will always be challenges and our needs are many with limited resources, but with this budget the municipality will go an extra mile.

Honourable Speaker and the House, we had to prepare this budget with the background knowledge, that South Africa and the whole world have not yet fully recovered from the economic meltdown of 2008. Of course, Mr Speaker, the demand from our communities for service delivery is huge but, as the Minister of Finance, Mr Pravin Gordhan would say “live within your means”, we had to be extremely disciplined so that we do not transcend our fiscal boundaries.

In the 2014/2015 budget, we will continue through our MIG allocations to fund the construction of access roads. As mentioned before, that we have a strict budget, we had however accommodated funds, though small, to erect community halls. Honourable Speaker and the House, it is through this budget that we now begin the end of the electrification program.

This year, 2014/2015, the municipality will start connections in ward one (1), a ward where almost no household is electrified. Evidence will show that when we complete these connections in ward one (1), and act not too far, we would have had all wards in uPhongolo connected, which will be truly the Universal Access to electricity.

Through our equitable share, we have allocated resources to fund youth, women as well as programmes for the advancement of old and people living with disabilities. Again, through the upgrading of sport facilities, I believe that our young people will have greater opportunities to showcase their talent and have healthy lifestyles.

It will be remiss of myself if I don't express appreciation and thank the following people and stakeholders:-

- Honourable Speaker and his office for strategic role in community participation process.
- The Principal Committee of the Council (EXCO) for the effort and commitment and I encourage the continued commitment for the benefit of our community.
- The highest decision making body (Council) for stable leadership and strategic direction in driving Service delivery.
- The Municipal Manager, Senior Management and staff for their commitment to work hard and under pressure to turn the situation around.
- The Budget and treasury office for preparing this document without help from consultants.
- The immeasurable support from Amakhosi, GTA and Treasury does not go unnoticed, and let us support each other and join hands in advancing of better life for all and building one Nation.

Accordingly I move that the Council adopts this as the draft budget for the uPhongolo Municipality for the financial year 2014/2015.

I THANK YOU

BAIE DANKIE

NGIYABONGA

GOD BLESS uPHONGOLO

1.2 Council Resolutions

On 31 March 2014 the Council of uPhongolo Municipality met in the Council Chambers of the municipality to consider the annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of uPhongolo Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 1.1. The draft annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 on page 24;
 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 14 on page 27;
 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 15 on page 29; and
 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 18 on page 34.
 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 1.2.1. Budgeted Financial Position as contained in Table 19 on page 36;
 1.2.2. Budgeted Cash Flows as contained in Table 20 on page 38;
 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 21 on page 39;
 1.2.4. Asset management as contained in Table 22 on page 40; and
 1.2.5. Basic service delivery measurement as contained in Table 23 on page 42.
2. The Council of uPhongolo Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 2.1. the tariffs for property rates – as set out on page 13
 2.2. the tariffs for electricity – as set out on page 13
 2.3. the tariffs for solid waste services – as set out on page 15
3. To give proper effect to the municipality's annual budget, the Council of uPhongolo Municipality approves:

3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

3.2. That the municipality be permitted to enter into long-term loans for the funding of the capital programmes in respect of the 2014/15 financial year limited to an amount of R10,215 million per financial year of the MTREF in terms of Section 46 of the Municipal Finance Management Act.

3.3. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The year 2013/14 has been challenging and very demanding but due to the emphasis on cost control and the introduction of austerity measures this has somewhat assisted the municipality to reduce the adverse impact of the slow economic recovery.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

National Treasury's MFMA Circulars No. 70 and 72 were used to guide the compilation of the 2014/15 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies; and

- Availability of affordable capital/borrowing.
- Implementation of a new valuation roll as from 1 July 2014.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2014/15 MTREF

Summary Statement of Financial Performance				
Description	**Adjustment Budget 2013/14**	**Budget Year 2014/15**	**Budget Year 2015/16**	**Budget Year 2016/17**
Total Operating Revenue	(132,061,290)	(150,800,568)	(172,098,657)	(177,603,673)
Total Operating Expenditure	129,868,290	143 468 618	170,390,657	177,595,673
SURPLUS/(DEFICIT)	**2,375,000**	**7 331 950**	**1 708,000**	**8,000**
Total Capital Expenditure	**65,735,750**	**56,335,950**	**45,247,000**	**46,761,000**

Total operating revenue has grown from R132,1 million to R150,8 million or by 14.2 per cent for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by 14.1 and 3 per cent respectively, equating to a total revenue growth of R26,803 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2014/15 financial year has been appropriated at R143,5 million and translates into a budgeted surplus of R7,3 million before recognising capital expenditure. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 10.4 per cent in the 2014/15 budget and by 18.8 and 4 per cent for each of the respective outer years of the MTREF.

The capital budget of R56,3 million for 2014/15 is 6.8 per cent less when compared to the 2013/14 Adjustment Budget. The increase in 2013/14 was attributable to an amount of R12.2 million in respect of unspent capital conditional grants which was rolled-over to 2012/13. The decrease is due to the acute demand for both road and electricity infrastructure in the municipal area. The capital programme decreases to R45,2 million in the 2015/16 financial year and then evens out in 2016/17 to R46,8 million. A substantial portion of the capital budget will be funded from conditional grants over MTREF. Borrowing will contribute 18.1 per cent of capital expenditure in 2014/15 when government grants and transfers are excluded. For the two outer years of the MTREF, the capital programme will be financed mostly from government grants and transfers. The balance will be funded from internally generated funds. It should be noted that the Municipality's has not yet reached its prudential borrowing limits and so there is room to substantially increase these borrowing levels over the medium-term.

1.4 Operating Revenue Framework

For Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue and cash management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 77 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	10 255	10 952	14 051	13 837	17 797	17 797	17 797	23 404	24 785	26 148
Property rates - penalties & collection charges	–	–	–	–	–			–	–	–
Service charges - electricity revenue	14 689	18 309	23 366	23 868	24 273	24 273	24 273	26 067	27 604	29 123
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	4 755	4 925	5 419	5 617	6 389	6 389	6 389	6 785	7 185	7 580
Service charges - other	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	437	416	578	869	1 308	1 308	1 308	1 390	1 471	1 552
Interest earned - external investments	909	1 069	1 043	1 314	1 377	1 377	1 377	1 762	1 548	1 633
Interest earned - outstanding debtors	3 212	2 797	3 282	3 370	3 602	3 602	3 602	3 826	4 051	4 274
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines	40	–	692	374	374	374	374	398	421	444
Licences and permits	2 986	3 163	2 143	2 315	2 294	2 294	2 294	2 436	2 580	2 722
Agency services	132	116	706	680	680	680	680	1 061	1 124	1 186
Transfers recognised - operational	47 433	57 611	66 486	72 388	73 197	73 197	73 197	82 855	100 462	102 027
Other revenue	308	545	1 251	1 339	771	771	771	819	867	915
Gains on disposal of PPE	2 397	17	101	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	87 553	99 918	119 118	125 970	132 061	132 061	132 061	150 801	172 099	177 604

Table 3 Percentage growth in revenue by main revenue source

Description	Current year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Property rates	17 797	13.5%	23 404	15.5%	24 785	14.4%	26 148	14.7%
Property rates - penalties & collection charges	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - electricity revenue	24 273	18.4%	26 067	17.3%	27 604	16.0%	29 123	16.4%
Service charges - water revenue	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - sanitation revenue	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Service charges - refuse revenue	6 389	4.8%	6 785	4.5%	7 185	4.2%	7 580	4.3%
Service charges - other	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Rental of facilities and equipment	1 308	1.0%	1 390	0.9%	1 471	0.9%	1 552	0.9%
Interest earned - external investments	1 377	1.0%	1 762	1.2%	1 548	0.9%	1 633	0.9%
Interest earned - outstanding debtors	3 602	2.7%	3 826	2.5%	4 051	2.4%	4 274	2.4%
Dividends received	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Fines	374	0.3%	398	0.3%	421	0.2%	444	0.3%
Licences and permits	2 294	1.7%	2 436	1.6%	2 580	1.5%	2 722	1.5%
Agency services	680	0.5%	1 061	0.7%	1 124	0.7%	1 186	0.7%
Transfers recognised - operational	73 197	55.4%	82 855	54.9%	100 462	58.4%	102 027	57.4%
Other revenue	771	0.6%	819	0.5%	867	0.5%	915	0.5%
Gains on disposal of PPE	–	0.0%	–	0.0%	–	0.0%	–	0.0%
Total Revenue (excluding capital transfers and contributions)	132 061	100%	150 801	100%	172 099	100%	177 604	100%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Operational Transfers recognised constitutes a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise a third of the total revenue mix. In the 2013/14 financial year, revenue from rates and services charges totalled R48,5 million or 24.2 per cent. This increases to R30.2 million, R32,9 million and R33,7 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 56 MBRR SA1 (see page 98).

Electricity revenue amounts to 17.3 per cent or R26.,1 million and increases to R29,1 million by 2016/17. The revenue from property rates totals R23.4 million or 15.5 percent of total budgeted operation revenue in 2014/15 and increases to R26,1 million by 2016/17.

Operating grants and transfers totals R73,2 million in the 2012/13 financial year and decreases to R72,388 million by 2014/15. The decrease is attributable to the roll-over of unspent conditional grants in 2013/14 which substantially increased revenue recognised from capital expenditure. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
National Government:	45 824	55 112	63 086	69 929	823	70 752	81 553	99 247	100 533
Local Government Equitable Share	43 874	52 612	59 786	66 389		66 389	76 982	96 330	97 415
Finance Management	1 200	1 500	1 500	1 650		1 650	1 800	1 950	2 100
Municipal Systems Improvement	750	1 000	800	890		890	934	967	1 018
Expanded Public Works Programme Integrated	–	–	1 000	1 000	823	1 823	1 837	–	–
Provincial Government:	–	402	946	1 225	434	1 520	1 202	1 115	1 394
Community Library Services	–	–	106	139	125	125	132	138	365
Provincialisation of Libraries	–	402	440	886		886	920	977	1 029
Maintenance of Sports Facility	–	–	–	–	–	–	150	–	–
Thusong Centre			400	–	309	309	–	–	–
IDP - Public Participation	–	–	–	200		200	–	–	–
District Municipality:	50	50	100	50	–	50	100	100	100
ZDM Subsidy	50	50	100	50		50	100	100	100
Other grant providers:	–	–	–	–	–	–	–	–	–
Total Operating Transfers and Grants	45 874	55 564	64 132	71 204	1 257	72 322	82 855	100 462	102 027

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target as excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariff is far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency

gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R45 000 reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum total rebate of 20 per cent will be granted to owners of rate-able property. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his / her spouse, if any, and by dependants without income;
 - The owner must be living permanently on the property.
 - The applicant must submit proof of his / her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

Table 5 Comparison of proposed rates to levied for the 2014/15 financial year

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2013)
	R	R
Residential Properties	0.012010	0.011309
State owned Properties	0.024020	0.014137
Business, Commercial & Industrial Properties	0.024020	0.014137
Agricultural Properties	0.003003	0.002828
Vacant Land	0.024020	0.014137
Public Service Infrastructure	0.024020	0.014137
Rural Communal Land	0.024020	0.014137
Special Non-market Properties	0.024020	0.014137

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. The new increased tariff of 7.39 per cent in bulk electricity to municipalities will be effective from 1 July 2014.

Considering the Eskom increases, the consumer tariff had to be increased by 7.39 per cent to offset the additional bulk purchase cost from 1 July 2014. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge based on the new 7.39 per cent tariff.

The following table shows the impact of the proposed increases in the electricity tariffs on domestic consumers:

Table 6 Comparison between current electricity charges and increases

Category	Current Tariffs	Proposed Tariffs	Change
Low Consumers (0-400 kWh):			
- Basic	0	0	7.39%
- Plus	0.98	1.05	7.39%
High Consumers (401 – 1000 kWh)			
Developed stands			
- Basic			
- Plus	217.04	233.08	7.39%
Undeveloped stands	0.91	0.98	7.39%
- Basic	114.42	122.9	7.39%
- Plus	0.91	0.98	7.39%
Above 1000 kWh	0.91	0.98	7.39%

On 24 February 2010, the National Energy Regulator (NERSA) approved the implementation of Inclined Block Tariffs (IBT) in order to provide for cross-subsidies for low income domestic customers. The feature of the IBT is that the customers are charged at higher rates as their consumption increases. UPhongolo Municipality will not implement the Inclining Block Tariff Structure as it does not have low income domestic customers in town.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It is therefore proposed that the taking up of loans as a strategy for funding of the infrastructure be considered and approved to spread the burden over the life span of the assets. As part of the 2014/15 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is outsourced and operating at a modest surplus. It is widely accepted that the rendering of this service should at least break even. The contractors engaged to clean the town have operational challenges which affect the cleanliness of the town. It is therefore proposed that the taking up of loans as a strategy for funding of the waste management machinery and equipment be considered and approved to spread the burden over the life span of the assets. As part of the 2014/15 medium-term capital programme, funding has been allocated to waste management department.

A 5.6 per cent increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the overall impact of higher than inflation increases of other services. Any increase higher than 6.2 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2014:

Table 7 Comparison between current waste removal fees and increases

	Current Tariffs 2013/14	Proposed Tariffs 2014/15
	R	R
BELGRADE		
Residential Dwellings	114.50	121.60
Businesses	152.67	162.14
Government & Other Departments	152.67	162.14
URBAN		
Residential and Departmental – twice per week	107.76	114.44
Businesses: Bulk Business - Small – cage - Medium – cage - Large – cage Per bin per month – removed daily Business at central point – removed daily	 355.62 829.78 1,422.48 161.22 1,422.49	 377.67 880.16 1510.67 171.22 1510.67
Garden refuse – residential per meter load or part thereof	113.79	120.84
Business waste removal	201.52	214.01
Building Rubble: Cost plus 10% per meter load or part thereof		
ITSHELEJUBA		
Applicable removal cost of contractor + 10% escalation		

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 8 MBRR Table SA14 – Household bills

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure			
Rand/cent	Audited	Audited	Audited	Original	Adjusted	Full Year	Budget Year % incr.	Budget Year	Budget Year	Budget Year
'Middle Income Range'										
Rates and services charges:										
Property rates	1 838	1 938	2 187	2 160	2 160	2 160	6.2	2 299	2 429	2 563
Electricity: Basic levy	208	219	230	247	247	247	7.4	265	285	306
Electricity: Consumption	1 599	1 686	1 621	1 904	1 904	1 904	6.2	2 022	2 141	2 259
Water: Basic levy										
Water: Consumption										
Sanitation										
Refuse removal	111	117	123	130	130	130	6.2	138	146	154
Other										
sub-total	3 756	3 960	4 161	4 441	4 441	4 441		4 724	5 001	5 282
VAT on Services	269	283	276	319	319	319	–	340	360	380
Total large household bill:	4 025	4 243	4 437	4 760	4 760	4 760		5 064	5 361	5 662
% increase/-decrease		5.4%	4.6%	7.3%	0.0%	0.0%		6.4%	5.9%	5.6%
'Affordable Range'										
Rates and services charges:										
Property rates	1 238	1 305	1 382	1 452	1 452	1 452	6.2	1 542	1 633	1 723
Electricity: Basic levy	208	219	230	247	247	247	7.4	265	285	306
Electricity: Consumption	1 048	1 104	1 169	1 245	1 245	1 245	6.2	1 322	1 400	1 477
Water: Basic levy										
Water: Consumption										
Sanitation										
Refuse removal	111	117	123	130	130	130	6.2	138	146	154
Other										
sub-total	2 605	2 745	2 904	3 074	3 074	3 074		3 267	3 464	3 660
VAT on Services	191	202	213	227	227	227		242	256	271
Total small household bill:	2 796	2 947	3 117	3 301	3 301	3 301		3 509	3 720	3 931
% increase/-decrease		5.4%	5.8%	5.9%	0.0%	0.0%		6.3%	6.0%	5.7%
			0	0	(1)	–				
'Indigent' Household receiving free										
Rates and services charges:										
Property rates	154	162	172	180	180	180	6.2	191	202	214
Electricity: Basic levy										
Electricity: Consumption										
Water: Basic levy										
Water: Consumption										
Sanitation										
Refuse removal	111	117	230	130	130	130	6.2	138	146	154
Other										
sub-total	265	279	402	310	310	310		329	348	368
VAT on Services	16	16	56	43	43	43	–	46	49	52
Total small household bill:	281	295	458	353	353	353		375	397	420
% increase/-decrease		5.0%	55.3%	-22.9%	0.0%	0.0%		6.2%	5.9%	5.8%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type										
Employee related costs	26 649	29 409	33 774	35 555	37 526	37 526	37 526	45 665	48 577	51 665
Remuneration of councillors	4 220	4 549	5 997	6 880	7 041	7 041	7 041	7 393	7 762	8 150
Debt impairment	17 560	24 526	2 537	1 369	1 369	1 369	1 369	1 454	1 540	1 625
Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	3 823	4 060	4 299	4 536
Finance charges	399	752	765	1 339	405	405	405	970	571	604
Bulk purchases	12 796	15 617	19 039	20 925	21 561	21 561	21 561	23 299	24 673	26 030
Other materials	–	–	–	–	–	–	–	–	–	–
Contracted services	7 773	6 471	9 157	10 010	10 768	10 768	10 768	11 436	12 111	12 777
Transfers and grants	–	–	2 691	2 400	3 634	3 634	3 634	2 810	7 976	8 415
Other expenditure	18 746	21 773	24 694	45 567	43 559	43 559	43 559	46 382	62 882	63 794
Loss on disposal of PPE	1 830	1 333	–	–	–	–	–	–	–	–
Total Expenditure	92 691	107 403	103 025	127 868	129 686	129 686	129 686	143 469	170 391	177 596

The budgeted allocation for employee related costs for the 2014/15 financial year totals R45,7 million, which equals 31.8 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 MTREF. An annual increase of 6.4 and 5.4 per cent respectively has been included in the two outer years of the MTREF. In addition expenditure against overtime was significantly reduced to within 5 per cent of the total salary bill.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The proclamation of 29 January 2014 in the

Government Gazette No. 37281 in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 77 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R1,5 million and escalates to R1,6 million by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation, amortisation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R4,1 million for the 2014/15 financial and equates to 2.8 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up .07 per cent (R970,152 thousand) of operating expenditure and decrease to R603,832 thousand by 2016/17. The Municipality has not yet reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it decreases to 0.03 per cent of total operating expenditure by 2016/17.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 7.39 per cent over the 2014/15 MTREF has been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Contracted services has been identified as a cost saving area for the Municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2013/14 financial year, this group of expenditure totals R10.8 million and has escalated by 6.2 per cent to R11.4 million in 2014/15. A portion of this expenditure relates to Expanded Public Works Programme (EPWP) one-year projects which address a call by National Government to all municipalities to create jobs in response to the National Development Plan (NDP). As part of the process of identifying further cost efficiencies, the significant portion of the refuse removal will be undertaken by the municipality and will be labour intensive, thus creating more jobs for the unemployed. Further details relating to contracted services can be seen in Table 56 MBRR SA1 (see page 98).

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6.2 per cent for 2014/15 and curbed at 5.9 and 5.4 per cent for the two outer years respectively. Further details relating to other expenditure can be seen in Table 56 MBRR SA1 (see page 98).

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.

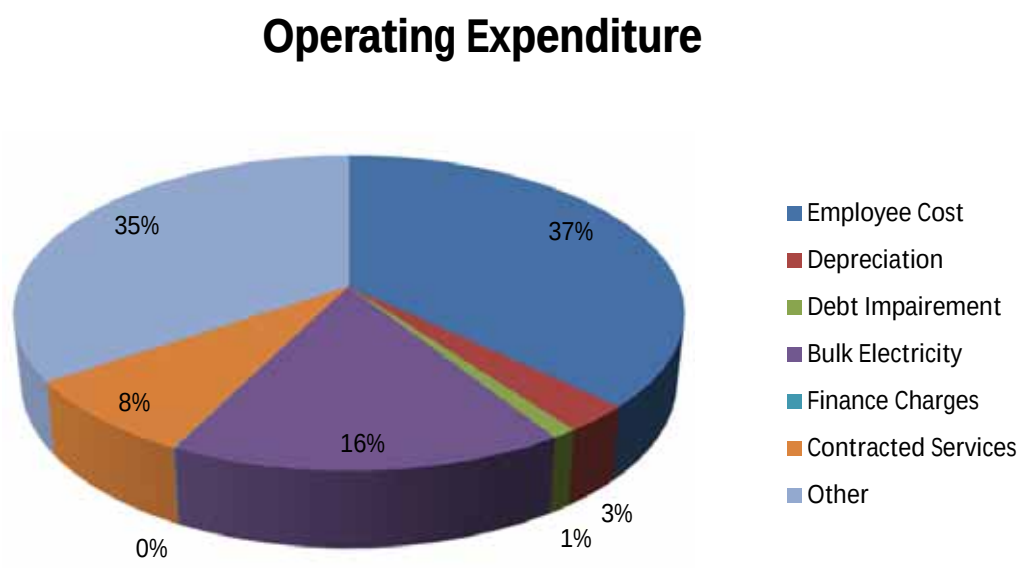


Figure 1 Main operational expenditure categories for the 2014/15 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset maintenance as informed by the repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 10 Operational repairs and maintenance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	1 605	2 157	2 443	2 196	4 770	4 770	1 963	2 968	3 216	3 422
Other materials	1 820	1 198	5 491	8 311	8 242	8 242	8 242	8 978	15 645	13 960
Contracted Services	116	1 397	448	326	559	559	559	594	629	663
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	3 541	4 751	8 382	10 833	13 571	13 571	10 764	12 540	19 490	18 045

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure. During the 2012/13 Adjustments Budget this allocation was adjusted upwards from R10,8 million to R13,6 million. However, due to the cash flow constraints faced by the Municipality, the repairs and maintenance budget has been reduced to R10.8 million in 2014/15 and steadily increasing to R18 million by 2016/17. Notwithstanding this reduction, as part of the 2014/15 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2014/15 excluding salaries and wages equates to 7.97 per cent in relation to the operating expenditure budget and flattens around 7 per cent in the two outer years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 11 Repairs and maintenance per asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and Maintenance by Asset Class										
Infrastructure - Road transport	1 752	2 221	6 303	6 735	8 169	8 169	8 169	8 075	10 236	8 820
Infrastructure - Electricity	194	1 394	1 069	2 471	3 030	3 030	3 030	2 107	5 021	4 759
Infrastructure - Water	0	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	0	–	–	–	–	–	–	–	–	–
Infrastructure - Other	0	–	–	–	–	–	–	–	–	–
Community	–	–	–	32	32	32	32	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–	–
Other assets	1 595	1 137	1 010	1 595	2 340	2 340	2 340	2 358	4 233	4 466
TOTAL EXPENDITURE OTHER ITEMS	3 541	4 751	8 382	10 833	13 571	13 571	13 571	12 540	19 490	18 045

For the 2014/15 financial year, 81.2 per cent or R10,2 million of total repairs and maintenance will be spent on infrastructure assets. Roads infrastructure has received a significant proportion of this allocation totalling 64.4 per cent (R8,1 million), followed by buildings and distribution network infrastructure at 35.6 per cent (R4,5 million).

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 2,453 or more indigent households during the 2014/15 financial year, and steadily growing this number to approximately 2,756 or more by 2016/17, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 23 MBRR A10 (Basic Service Delivery Measurement) on page 42.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 12 2014/15 Medium-term capital budget per vote

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 - Governance and Administration	500	–	91	1 318	1 000	1 000	1 000	840	–	–
Vote 2 - Financial Services	–	–	80	3 181	4 454	4 454	4 454	25	–	–
Vote 3 - Corporate Services	2 540	2 045	130	8 887	306	306	306	8 060	–	–
Vote 4 - Community and Social Services	430	–	94	1	54	54	54	81	8	8
Vote 5 - Sports and Recreation	150	–	–	–	1 200	1 200	1 200	1 776	–	–
Vote 6 - Public Safety	535	–	155	750	200	200	200	700	450	–
Vote 7 - Planning and Development	17 508	16 885	15 548	22 502	37 882	37 882	37 882	27 554	28 089	29 203
Vote 8 - Roads Transport	–	–	–	1 200	–	–	–	2 700	–	2 550
Vote 9 - Environmental Protection	–	–	–	–	–	–	–	–	–	–
Vote 10 - Other	20	3 941	–	–	–	–	–	–	–	–
Vote 11 - Housing	10	–	–	–	–	–	–	–	–	–
Vote 12 - Electricity Services	9 750	15 206	3 133	14 000	18 270	18 270	18 270	14 600	15 000	15 000
Vote 13 - Waste Management	250	–	–	5 787	2 370	2 370	2 370	–	1 700	–
Total Capital Expenditure - Vote	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761

For 2014/15 an amount of R38,789 million has been appropriated for the development of infrastructure which represents 68.9 per cent of the total capital budget. In the outer years this amount totals R43,1 million, 95.2 per cent and R44.2 million, 94.5 per cent respectively for each of the financial years.

Total new assets in 2014/15 represent 90.2 per cent or R48,1 million of the total capital budget while asset renewal equates to 9.8 per cent or R5,2 million. Further detail relating to asset classes and proposed capital expenditure is contained in Table 22 MBRR A9 (Asset Management) on page 40. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 87; 88 and 89). Some of the salient projects to be undertaken over the medium-term includes, amongst others:

Capital Expenditure Allocations	Ward	Budget Year 2014/15	Source of Funds
		R	
Road Infrastructure – Ncotshane	2	7 500 000	MIG
Access Road	11	3 708 700	MIG
Access Road	8	3 708 700	MIG
Mboloba Road	10	2 510 200	MIG
Community Hall	9	1 748 000	MIG
Community Hall	12	1 748 000	MIG
Community Hall	13	1 748 000	MIG
Creche	7	752 000	MIG
Sportsfield	7	1 121 794	MIG
Sportsfield	14	1 121 803	MIG
Sportsfield	3	1 121 803	MIG
Electrification Programme:			
- Kwagaqa		3 000 000	DOE
- Magude, Nyaliza, Mpalaza and KwaMpondo		9 000 000	DOE
Vehicles and buildings		10 215 000	LOANS
Machinery, furniture and equipment		7 331 950	OWN
TOTAL		**56 335 950**	

Furthermore pages 87 to 88 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

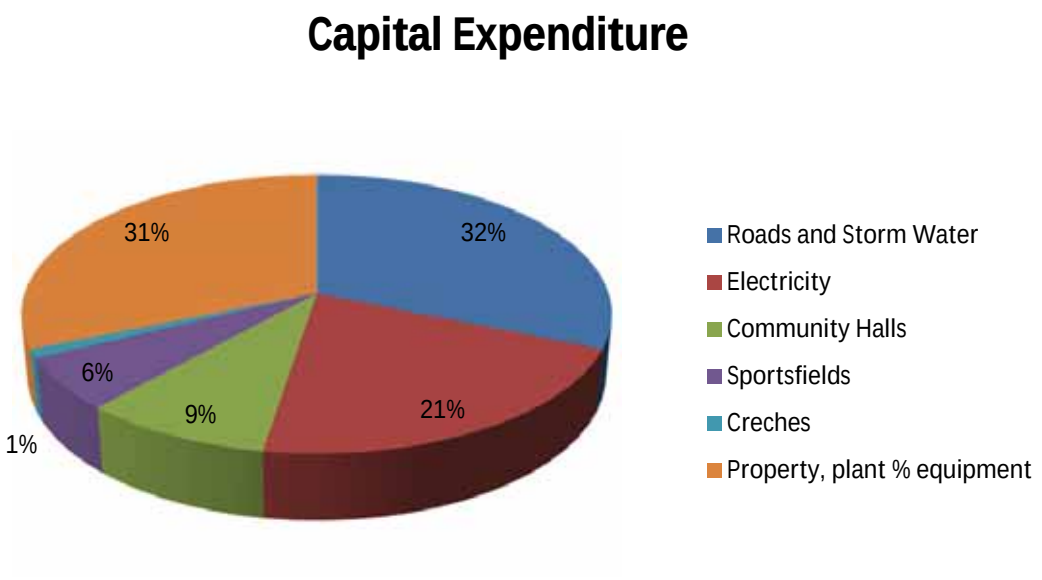


Figure 2 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R14.3 million in 2014/15 and escalates R15,9 million by 2016/17.

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by explanatory notes.

Table 13 MBRR Table A1 - Budget Summary

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Financial Performance										
Property rates	10 255	10 952	14 051	13 837	17 797	17 797	17 797	23 404	24 785	26 148
Service charges	19 444	23 234	28 785	29 485	30 661	30 661	30 661	32 851	34 790	36 703
Investment revenue	909	1 069	1 043	1 314	1 377	1 377	1 377	1 762	1 548	1 633
Transfers recognised - operational	47 433	57 611	66 486	72 388	73 197	73 197	73 197	82 855	100 462	102 027
Other own revenue	9 512	7 052	8 753	8 946	9 029	9 029	9 029	9 929	10 514	11 093
Total Revenue (excluding capital transfers and contributions)	87 553	99 918	119 118	125 970	132 061	132 061	132 061	150 801	172 099	177 604
Employee costs	26 649	29 409	33 774	35 555	37 526	37 526	37 526	45 665	48 577	51 665
Remuneration of councillors	4 220	4 549	5 997	6 880	7 041	7 041	7 041	7 393	7 762	8 150
Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	3 823	4 060	4 299	4 536
Finance charges	399	752	765	1 339	405	405	405	970	571	604
Materials and bulk purchases	12 796	15 617	19 039	20 925	21 561	21 561	21 561	23 299	24 673	26 030
Transfers and grants	–	–	2 691	2 400	3 634	3 634	3 634	2 810	7 976	8 415
Other expenditure	45 909	54 103	36 388	56 946	55 697	55 697	55 697	59 272	76 532	78 195
Total Expenditure	92 691	107 403	103 025	127 868	129 686	129 686	129 686	143 469	170 391	177 596
Surplus/(Deficit)	(5 138)	(7 485)	16 093	(1 898)	2 375	2 375	2 375	7 332	1 708	8
Transfers recognised - capital	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Contributions recognised - capital & contributed a	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Capital expenditure & funds sources										
Capital expenditure	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761
Transfers recognised - capital	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	4 154	–	17 543	7 279	7 279	7 279	10 215	–	–
Internally generated funds	23 621	9 309	616	3 584	2 375	2 375	2 375	7 332	2 158	2 558
Total sources of capital funds	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761
Financial position										
Total current assets	46 106	32 678	59 436	47 162	57 608	57 608	57 608	63 244	72 877	83 110
Total non current assets	160 069	191 982	212 644	281 568	273 358	273 358	273 358	326 834	367 782	410 007
Total current liabilities	35 506	35 346	31 216	24 827	27 975	27 975	27 975	41 839	53 931	66 937
Total non current liabilities	9 100	11 411	8 579	25 545	10 876	10 876	10 876	21 352	20 133	20 478
Community wealth/Equity	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702
Cash flows										
Net cash from (used) operating	29 318	32 012	29 945	45 031	58 616	58 616	58 616	42 295	48 524	48 243
Net cash from (used) investing	(17 686)	(34 797)	(19 104)	(57 627)	(65 736)	(65 736)	(65 736)	(56 336)	(45 247)	(46 761)
Net cash from (used) financing	273	3 551	(3 614)	14 418	5 692	5 692	5 692	8 193	(2 095)	(173)
Cash/cash equivalents at the year end	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Cash backing/surplus reconciliation										
Cash and investments available	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Application of cash and investments	13 049	27 967	(14 600)	11 617	(11 421)	(11 421)	(11 421)	(12 758)	(8 696)	(4 688)
Balance - surplus (shortfall)	2 360	(11 792)	38 002	9 705	29 494	29 494	29 494	24 983	22 104	19 405
Asset management										
Asset register summary (WDV)	88 197	191 982	212 567	281 568	273 358	273 358	326 834	326 834	367 782	410 007
Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	4 060	4 060	4 299	4 536
Renewal of Existing Assets	–	–	–	5 928	5 928	5 928	5 928	8 245	9 171	11 000
Repairs and Maintenance	3 541	4 751	8 382	10 833	13 571	13 571	12 540	12 540	19 490	18 045
Free services										
Cost of Free Basic Services provided	1 568	1 568	2 691	1 662	1 662	1 662	4 128	4 128	6 434	7 958
Revenue cost of free services provided	–	–	2 691	6 072	6 072	6 072	6 066	6 066	6 424	6 777
Households below minimum service level										
Water:	11	11	43	11	11	11	46	46	49	52
Sanitation/sewerage:	12	12	35	13	13	13	37	37	39	41
Energy:	13	13	12	13	13	13	13	13	14	17
Refuse:	22	22	105	23	23	23	112	112	118	125

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

 a. The operating surplus / deficit (after Total Expenditure) is positive over the MTREF
 b. Capital expenditure is balanced by capital funding sources, of which
 i. Transfers recognised is reflected on the Financial Performance Budget;
 ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 iii. Internally generated funds is financed from a combination of the current operating surplus. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing / surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2015 / 16, when a small surplus is reflected.

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the

municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2016/17 the electricity and roads backlog will have been very nearly eliminated.

Table 14 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard										
Governance and administration		59 616	81 738	60 589	63 894	68 778	68 778	66 012	72 721	75 616
Executive and council		7 702	11 079	9 777	15 675	15 675	15 675	16 758	18 552	19 116
Budget and treasury office		50 766	70 261	39 730	34 702	39 168	39 168	40 440	43 239	45 266
Corporate services		1 147	398	11 082	13 517	13 935	13 935	8 814	10 929	11 234
Community and public safety		3 333	4 583	12 893	14 034	15 368	15 368	14 691	16 136	16 918
Community and social services		2 922	3 732	4 545	3 616	3 749	3 749	6 939	7 651	8 159
Sport and recreation		28	54	1 503	2 251	3 451	3 451	2 262	2 376	2 435
Public safety		383	797	6 845	7 724	7 724	7 724	5 491	6 109	6 323
Housing		–	–	–	444	444	444	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		4 996	14 702	29 981	37 643	56 068	56 068	44 294	50 194	50 900
Planning and development		2 479	12 339	22 407	27 618	46 043	46 043	35 320	38 902	40 294
Road transport		2 517	2 364	7 256	10 025	10 025	10 025	8 974	11 292	10 606
Environmental protection		–	–	318	–	–	–	–	–	–
Trading services		27 687	23 234	33 724	46 363	47 392	47 392	63 313	74 706	76 911
Electricity		17 471	18 309	27 728	40 203	40 608	40 608	53 125	63 712	65 425
Water		329	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		9 887	4 925	5 996	6 160	6 784	6 784	10 188	10 994	11 487
Other	4	(7)	258	547	537	537	537	1 279	1 431	1 461
Total Revenue - Standard	2	95 625	124 515	137 734	162 471	188 143	188 143	189 590	215 188	221 807
Expenditure - Standard										
Governance and administration		47 545	58 163	48 708	61 661	55 978	55 978	59 780	65 372	69 103
Executive and council		9 811	12 880	15 373	22 118	21 907	21 907	22 107	23 655	24 988
Budget and treasury office		28 758	10 817	18 912	22 818	20 340	20 340	22 479	23 634	24 987
Corporate services		8 976	34 466	14 423	16 724	13 731	13 731	15 194	18 083	19 128
Community and public safety		14 360	14 683	13 919	15 975	18 000	18 000	20 367	21 625	22 934
Community and social services		3 286	4 367	4 405	5 096	5 882	5 882	8 362	8 878	9 421
Sport and recreation		1 871	1 518	2 182	2 531	3 273	3 273	3 993	4 232	4 471
Public safety		9 181	8 786	7 333	8 348	8 845	8 845	8 011	8 515	9 042
Housing		22	13	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		12 063	12 140	15 588	19 296	23 316	23 316	25 902	36 031	36 124
Planning and development		7 014	6 567	6 857	7 753	10 658	10 658	12 932	19 800	20 958
Road transport		5 049	5 573	8 457	11 542	12 657	12 657	12 970	16 231	15 166
Environmental protection		–	–	274	–	–	–	–	–	–
Trading services		18 271	21 715	24 220	29 527	30 927	30 927	35 084	44 888	46 822
Electricity		16 166	18 245	20 313	24 121	25 354	25 354	29 166	38 620	40 209
Water		–	–	–	–	–	–	–	–	–
Waste water management		–	–	–	–	–	–	–	–	–
Waste management		2 105	3 470	3 907	5 406	5 573	5 573	5 919	6 268	6 613
Other	4	451	684	590	1 410	1 466	1 466	2 335	2 475	2 613
Total Expenditure - Standard	3	92 691	107 386	103 025	127 868	129 686	129 686	143 469	170 391	177 596
Surplus/(Deficit) for the year		2 934	17 128	34 709	34 603	58 457	58 457	46 121	44 797	44 211

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity function. The electricity revenue excluding the equitable share amounting to R14,7 million allocated to this service and the capital revenue recognised totalling R12 million is R26,7 million compared to the operating costs which amount to R29,2 million. In 2012/13 financial year the municipality lost 5,6 million units of electricity which approximated R3,8 million. As already noted above, the municipality has undertaken a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure. It is pleasing to note that in 2013/14, the electricity loss has substantially decreased from 18.5 percent to around 12.1 per cent as a result of replacing faulty meters and re-training of meter readers. Consequently, the electricity loss has been materially reduced in 2013/14 and in the 2014/15 MTREF as shown on Table SA8 on page 58.

4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 15 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - Governance and Administration		7 702	11 079	9 777	15 675	15 675	15 675	16 758	18 552	19 116
Vote 2 - Financial Services		42 196	70 261	39 730	34 702	39 168	39 168	40 440	43 239	45 266
Vote 3 - Corporate Services		1 147	398	11 082	13 517	13 935	13 935	8 814	10 929	11 234
Vote 4 - Community and Social Services		2 922	3 732	4 545	3 616	3 749	3 749	6 939	7 651	8 159
Vote 5 - Sports and Recreation		28	54	1 503	2 251	3 451	3 451	2 262	2 376	2 435
Vote 6 - Public Safety		383	797	6 845	7 724	7 724	7 724	5 491	6 109	6 323
Vote 7 - Planning and Development		2 479	12 339	22 221	28 883	47 308	47 308	35 320	38 902	40 294
Vote 8 - Roads Transport		2 517	2 364	6 244	7 495	7 495	7 495	8 974	11 292	10 606
Vote 9 - Environmental Protection		–	–	318	–	–	–	–	–	–
Vote 10 - Other		8 892	258	1 744	1 802	1 802	1 802	1 279	1 431	1 461
Vote 11 - Housing		–	–	–	444	444	444	–	–	–
Vote 12 - Electricity Services		17 471	18 309	27 728	40 203	40 608	40 608	53 125	63 712	65 425
Vote 13 - Water Services		–	–	–	–	–	–	–	–	–
Vote 14 - Waste Water Management		–	–	–	–	–	–	–	–	–
Vote 15 - Waste Management		9 887	4 925	5 996	6 160	6 784	6 784	10 188	10 994	11 487
Total Revenue by Vote	2	95 625	124 515	137 734	162 471	188 143	188 143	189 590	215 188	221 807
Expenditure by Vote *to be appropriated*	1									
Vote 1 - Governance and Administration		9 811	12 880	15 373	22 118	21 907	21 907	22 107	23 655	24 988
Vote 2 - Financial Services		28 186	10 817	18 912	22 818	20 340	20 340	22 479	23 634	24 987
Vote 3 - Corporate Services		8 976	34 466	14 423	16 724	13 731	13 731	15 194	18 083	19 128
Vote 4 - Community and Social Services		3 286	4 367	4 405	5 096	5 882	5 882	8 362	8 878	9 421
Vote 5 - Sports and Recreation		1 871	1 518	2 182	2 531	3 273	3 273	3 993	4 232	4 471
Vote 6 - Public Safety		9 181	8 786	7 333	8 348	8 845	8 845	8 011	8 515	9 042
Vote 7 - Planning and Development		5 265	6 567	6 038	7 753	10 658	10 658	12 932	19 800	20 958
Vote 8 - Roads Transport		5 049	5 573	8 457	11 542	12 657	12 657	12 970	16 231	15 166
Vote 9 - Environmental Protection		–	–	274	–	–	–	–	–	–
Vote 10 - Other		2 773	684	1 409	1 410	1 466	1 466	2 335	2 475	2 613
Vote 11 - Housing		22	13	–	–	–	–	–	–	–
Vote 12 - Electricity Services		16 166	18 245	20 313	24 121	25 354	25 354	29 166	38 620	40 209
Vote 13 - Water Services		–	–	–	–	–	–	–	–	–
Vote 14 - Waste Water Management		–	–	–	–	–	–	–	–	–
Vote 15 - Waste Management		2 105	3 470	3 907	5 406	5 573	5 573	5 919	6 268	6 613
Total Expenditure by Vote	2	92 691	107 386	103 025	127 868	129 686	129 686	143 469	170 391	177 596
Surplus/(Deficit) for the year	2	2 934	17 128	34 709	34 603	58 457	58 457	46 121	44 797	44 211

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 16 Surplus/(Deficit) calculations for the trading services

Standard Classification Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Trading services									
Electricity revenue	17 471	18 309	23 366	40 203	24 273	24 273	26 067	27 604	29 123
Operating expenditure	(16 166)	(18 245)	(20 313)	(24 121)	(25 354)	(25 354)	(29 166)	(38 620)	(40 209)
Surplus/(Deficit) for the year	1 304	64	3 054	16 082	(1 081)	(1 081)	(3 099)	(11 015)	(11 086)
Waste management revenue	9 887	4 925	5 419	6 160	6 389	6 389	6 785	7 185	7 580
Operating expenditure	(2 105)	(3 470)	(3 907)	(5 406)	(5 573)	(5 573)	(5 919)	(6 268)	(6 613)
Surplus/(Deficit) for the year	7 782	1 455	1 511	754	815	815	866	917	968

2. The electricity trading deficit is increasing over the 2014/15 MTREF from R3 million in 2013/14 to R11 million by 2016/17. The municipality has over the past years implemented the national electricity programme in the municipal area where it does not collect revenue. Further the electricity infrastructure in town is old and requires continued maintenance.

3. The solid waste management surplus remains constant over the MTREF translating into a surplus of 12.7 per cent for each of the respective financial years.

Table 17 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	10 255	10 952	14 051	13 837	17 797	17 797	17 797	23 404	24 785	26 148
Property rates - penalties & collection charges	–	–	–	–	–			–	–	–
Service charges - electricity revenue	14 689	18 309	23 366	23 868	24 273	24 273	24 273	26 067	27 604	29 123
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	4 755	4 925	5 419	5 617	6 389	6 389	6 389	6 785	7 185	7 580
Service charges - other	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	437	416	578	869	1 308	1 308	1 308	1 390	1 471	1 552
Interest earned - external investments	909	1 069	1 043	1 314	1 377	1 377	1 377	1 762	1 548	1 633
Interest earned - outstanding debtors	3 212	2 797	3 282	3 370	3 602	3 602	3 602	3 826	4 051	4 274
Dividends received	–	–	–	–	–	–	–	–	–	–
Fines	40	–	692	374	374	374	374	398	421	444
Licences and permits	2 986	3 163	2 143	2 315	2 294	2 294	2 294	2 436	2 580	2 722
Agency services	132	116	706	680	680	680	680	1 061	1 124	1 186
Transfers recognised - operational	47 433	57 611	66 486	72 388	73 197	73 197	73 197	82 855	100 462	102 027
Other revenue	308	545	1 251	1 339	771	771	771	819	867	915
Gains on disposal of PPE	2 397	17	101	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	87 553	99 918	119 118	125 970	132 061	132 061	132 061	150 801	172 099	177 604
Expenditure By Type										
Employee related costs	26 649	29 409	33 774	35 555	37 526	37 526	37 526	45 665	48 577	51 665
Remuneration of councillors	4 220	4 549	5 997	6 880	7 041	7 041	7 041	7 393	7 762	8 150
Debt impairment	17 560	24 526	2 537	1 369	1 369	1 369	1 369	1 454	1 540	1 625
Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	3 823	4 060	4 299	4 536
Finance charges	399	752	765	1 339	405	405	405	970	571	604
Bulk purchases	12 796	15 617	19 039	20 925	21 561	21 561	21 561	23 299	24 673	26 030
Other materials	–	–	–	–	–	–	–	–	–	–
Contracted services	7 773	6 471	9 157	10 010	10 768	10 768	10 768	11 436	12 111	12 777
Transfers and grants	–	–	2 691	2 400	3 634	3 634	3 634	2 810	7 976	8 415
Other expenditure	18 746	21 773	24 694	45 567	43 559	43 559	43 559	46 382	62 882	63 794
Loss on disposal of PPE	1 830	1 333	–	–	–	–	–	–	–	–
Total Expenditure	92 691	107 403	103 025	127 868	129 686	129 686	129 686	143 469	170 391	177 596
Surplus/(Deficit)	(5 138)	(7 485)	16 093	(1 898)	2 375	2 375	2 375	7 332	1 708	8
Transfers recognised - capital	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Taxation	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Attributable to minorities	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R150,8 million in 2014/15 and escalates to R177,6 million by 2016/17. This represents a year-on-year increase of 14.2 per cent for the 2014/15 financial year and 18.3 per cent for the 2016/17 financial year.
2. Revenue to be generated from property rates is R23,4 million in the 2014/15 financial year and increases to R26,1 million by 2016/17 which represents 15.5 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6.2 per cent for 2014/15 and 5.9 per cent for 2015/16 and 5.5 per cent for 2016/14. The significant increase in property rates revenue is attributable to the implementation of the general valuation roll for the first time. The general valuation roll should have been implemented in 2013/14 but due to certain challenges the implementation thereof was deferred to 2014/15 after condonement by the MEC for Cooperative Governance and Traditional Affairs in terms of Section 80 of the Municipal Property Rates Act. The total rateable property value has increased from R2,164 billion to R2,891 billion or 33.6 per cent.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R32,9 million for the 2014/15 financial year and increasing to R36,7 million by 2016/17. For the 2014/15 financial year services charges amount to 21.8 per cent of the total revenue and slightly decreases to 20.7 per cent by 2016/17.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The equitable share increases from 54.9 per cent in 2014/15 to 57.4 per cent in 2016/17.
5. The appropriation for employee salaries and wages for 2014/15 is R45,7 million compared to R37,5 in 2013/14, an increase of 21.7 per cent. The Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015 provides for a wage increase based on the average CPI for the period 1 February 2013 until 31 January 2014, plus 1 per cent for the 2014/15 financial year, with effect from 1 July 2014. Therefore, the salary cost has been increased by 6.79 per cent as directed by National Treasury in Circular 72. The percentage difference of 14.9 (21.7 – 6.8) per cent relates to additional human capacity required. The percentage of salaries and wages is 31.7 per cent (2013/14: 28.9 per cent) of the total operating budget.

6. The remuneration of Councillors has been increased by 5 per cent to R7,393 million in 2014/15 from R7,040 million in 2013/14 after taking into account the approved 2013/14 Upper Limits for Councillors, and increase to R8,150 million by 2016/17.

7. The budget for bulk purchases of electricity has been increased provisionally by 8.06 per cent to R23,3 million as per National Treasury Directive in Circular 72. The municipality

has submitted a tariff application to NERSA (D-Forms) for 2014/15. The approved tariff determination will be incorporated in the final 2014/15 budget and MTREF's for consideration by the Council. The bulk electricity appropriation increases to R26 million by 2016/17.

8. The other expenses budget amounts R46,3 million in 2014/15 and increase to R63,8 million by 2016/17. This represents a cumulative year-on-year increase of 37.8 per cent by 2016/17. These expenses are for day to day operations of the Council. The increase is informed by the need to improve delivery of basic services to the poor households and job creation.

Table 18 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote										
Multi-year expenditure to be appropriated										
Vote 1 - Governance and Administration	–	–	–	–	–	–	–	–	–	–
Vote 2 - Financial Services	–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services	–	893	–	–	–	–	–	–	–	–
Vote 4 - Community and Social Services	–	–	–	–	–	–	–	–	–	–
Vote 5 - Sports and Recreation	–	–	–	–	–	–	–	–	–	–
Vote 6 - Public Safety	–	–	–	–	–	–	–	–	–	–
Vote 7 - Planning and Development	16 793	14 798	14 277	22 501	26 182	26 182	26 182	26 789	28 089	29 203
Vote 8 - Roads Transport	–	–	–	–	–	–	–	–	–	–
Vote 9 - Environmental Protection	–	–	–	–	–	–	–	–	–	–
Vote 10 - Other	–	–	–	–	–	–	–	–	–	–
Vote 11 - Housing	–	–	–	–	–	–	–	–	–	–
Vote 12 - Electricity Services	–	9 816	3 133	14 000	14 000	14 000	14 000	12 000	15 000	15 000
Vote 13 - Waste Management	–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	16 793	25 506	17 410	36 501	40 182	40 182	40 182	38 789	43 089	44 203
Single-year expenditure to be appropriated										
Vote 1 - Governance and Administration	500	–	91	1 318	1 000	1 000	1 000	840	–	–
Vote 2 - Financial Services	–	–	80	3 181	4 454	4 454	4 454	25	–	–
Vote 3 - Corporate Services	2 540	1 152	130	8 887	306	306	306	8 060	–	–
Vote 4 - Community and Social Services	430	–	94	1	54	54	54	81	8	8
Vote 5 - Sports and Recreation	150	–	–	–	1 200	1 200	1 200	1 776	–	–
Vote 6 - Public Safety	535	–	155	750	200	200	200	700	450	–
Vote 7 - Planning and Development	715	2 087	1 271	1	11 700	11 700	11 700	765	–	–
Vote 8 - Roads Transport	–	–	–	1 200	–	–	–	2 700	–	2 550
Vote 9 - Environmental Protection	–	–	–	–	–	–	–	–	–	–
Vote 10 - Other	20	3 941	–	–	–	–	–	–	–	–
Vote 11 - Housing	10	–	–	–	–	–	–	–	–	–
Vote 12 - Electricity Services	9 750	5 390	–	–	4 270	4 270	4 270	2 600	–	–
Vote 13 - Waste Management	250	–	–	5 787	2 370	2 370	2 370	–	1 700	–
Capital single-year expenditure sub-total	14 900	12 570	1 822	21 127	25 554	25 554	25 554	17 547	2 158	2 558
Total Capital Expenditure - Vote	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761
Capital Expenditure - Standard										
Governance and administration	3 365	2 045	301	13 387	5 760	5 760	5 760	8 925	–	–
Executive and council	500	–	91	1 318	1 000	1 000	1 000	700	–	–
Budget and treasury office	–	–	80	3 181	4 454	4 454	4 454	25	–	–
Corporate services	2 865	2 045	130	8 887	306	306	306	8 200	–	–
Community and public safety	1 125	–	250	751	1 454	1 454	1 454	2 557	8	8
Community and social services	580	–	94	1	54	54	54	81	8	8
Sport and recreation	–	–	–	–	1 200	1 200	1 200	1 776	–	–
Public safety	535	–	155	750	200	200	200	700	–	–
Housing	10	–	–	–	–	–	–	–	–	–
Economic and environmental services	17 183	16 885	15 548	23 702	37 882	37 882	37 882	30 254	28 539	31 753
Planning and development	16 793	16 885	15 548	22 502	37 882	37 882	37 882	27 554	28 539	29 203
Road transport	390	–	–	1 200	–	–	–	2 700	–	2 550
Environmental protection	–	–	–	–	–	–	–	–	–	–
Trading services	10 000	19 147	3 133	19 787	20 640	20 640	20 640	14 600	16 700	15 000
Electricity	9 750	15 206	3 133	14 000	18 270	18 270	18 270	14 600	15 000	15 000
Waste management	250	3 941	–	5 787	2 370	2 370	2 370	–	1 700	–
Other	20	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761
Funded by:										
National Government	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Provincial Government	–	–	–	–	–	–	–	–	–	–
District Municipality	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	4 154	–	17 543	7 279	7 279	7 279	10 215	–	–
Internally generated funds	23 621	9 309	616	3 584	2 375	2 375	2 375	7 332	2 158	2 558
Total Capital Funding	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R38,8 million has been allocated of the total R53,3 million capital budget, which totals 72.7 per cent. This allocation decreases to R43,1 million in 2015/16 and then increase to R44,2 million in 2016/17 owing primarily to the fact that various projects reach completion in 2016/17 hence the spike in expenditure in year three.

3. Single-year capital expenditure has been appropriated at R17,5 million for the 2014/15 financial year and decreases significantly to R2,2 in 2015/16 and increases to R2,6 million by 2016/17.

4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.

5. The capital programme is funded from national conditional grants and transfers, borrowings and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R38,8 million (72.7 per cent) and decrease to R44,2 million by 2016/17 (94.5 per cent). Borrowings have been provided at R10,2 million for 2014/15 only with internally generated funding totaling R7,3 million.

Table 19 MBRR Table A6 - Budgeted Financial Position

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS										
Current assets										
Cash	3 201	7 441	529	3	3	3	3	4	6	5
Call investment deposits	12 207	8 734	22 873	21 318	18 070	18 070	18 070	12 221	13 402	14 713
Consumer debtors	18 744	4 749	34 174	16 226	38 412	38 412	38 412	49 896	58 484	67 544
Other debtors	1 407	2 640	1 722	502	984	984	984	984	847	710
Current portion of long-term receivables	–	–	–	–	–	–	–	–	–	–
Inventory	10 546	9 113	138	9 113	138	138	138	138	138	138
Total current assets	46 106	32 678	59 436	47 162	57 608	57 608	57 608	63 244	72 877	83 110
Non current assets										
Long-term receivables	3 263	–	–	–	–	–	–	–	–	–
Investments	–		–	–	–	–	–	–	–	–
Investment property	88 095	88 095	88 095	88 095	88 095	88 095	88 095	88 095	88 095	88 095
Investment in Associate	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	68 609	103 761	124 400	191 757	185 113	185 113	185 113	238 625	279 591	321 835
Agricultural	–	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–	–
Intangible	102	127	72	1 716	72	72	72	36	18	–
Other non-current assets	–		78	–	78	78	78	78	78	78
Total non current assets	160 069	191 982	212 644	281 568	273 358	273 358	273 358	326 834	367 782	410 007
TOTAL ASSETS	206 175	224 660	272 080	328 730	330 965	330 965	330 965	390 078	440 659	493 117
LIABILITIES										
Current liabilities										
Bank overdraft	–	–	–	–	–	–	–	–	–	–
Borrowing	1 006	2 464	2 647	4 152	2 647	2 647	2 647	3 722	3 418	3 504
Consumer deposits			1 181					1 181	1 181	1 181
Trade and other payables	34 500	32 882	27 388	20 676	25 328	25 328	25 328	36 935	49 332	62 252
Provisions		–	–							
Total current liabilities	35 506	35 346	31 216	24 827	27 975	27 975	27 975	41 839	53 931	66 937
Non current liabilities										
Borrowing	3 213	5 006	2 117	18 693	7 014	7 014	7 014	14 890	13 671	14 015
Provisions	5 886	6 404	6 462	6 852	3 862	3 862	3 862	6 462	6 462	6 462
Total non current liabilities	9 100	11 411	8 579	25 545	10 876	10 876	10 876	21 352	20 133	20 478
TOTAL LIABILITIES	44 605	46 757	39 795	50 372	38 851	38 851	38 851	63 191	74 064	87 415
NET ASSETS	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702
Reserves	–	–	–	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position.
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page 100) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 20 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	33 570	37 882	57 639	49 716	55 356	55 356	55 356	66 184	69 951	73 806
Government - operating	47 433	57 611	63 318	72 388	73 197	73 197	73 197	82 855	100 462	102 027
Government - capital	8 072	24 613	21 784	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Interest	4 140	3 866	4 325	1 314	1 377	1 377	1 377	5 588	5 600	5 908
Dividends	–	–	–	–	–	–	–	–	–	–
Payments										
Suppliers and employees	(63 497)	(91 209)	(116 357)	(113 550)	(126 991)	(126 991)	(126 991)	(147 839)	(162 031)	(168 682)
Finance charges	(399)	(752)	(765)	(1 339)	(405)	(405)	(405)	(471)	(571)	(604)
Transfers and Grants	–	–	–	–	–	–	–	(2 810)	(7 976)	(8 415)
NET CASH FROM/(USED) OPERATING ACTIVITIES	29 318	32 012	29 945	45 031	58 616	58 616	58 616	42 295	48 524	48 243
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	846	1 350	(560)	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	3 263	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	688	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–
Payments										
Capital assets	(18 532)	(39 409)	(19 232)	(57 627)	(65 736)	(65 736)	(65 736)	(56 336)	(45 247)	(46 761)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 686)	(34 797)	(19 104)	(57 627)	(65 736)	(65 736)	(65 736)	(56 336)	(45 247)	(46 761)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–	–	(907)	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	(729)	(1 409)	17 543	7 279	7 279	7 279	10 215	450	2 550
Increase (decrease) in consumer deposits	1 815	299	–	–	–	–	–	–	–	–
Payments										
Repayment of borrowing	(1 542)	3 982	(1 297)	(3 125)	(1 587)	(1 587)	(1 587)	(2 022)	(2 545)	(2 723)
NET CASH FROM/(USED) FINANCING ACTIVITIES	273	3 551	(3 614)	14 418	5 692	5 692	5 692	8 193	(2 095)	(173)
NET INCREASE/ (DECREASE) IN CASH HELD	11 904	767	7 226	1 821	(1 427)	(1 427)	(1 427)	(5 848)	1 183	1 309
Cash/cash equivalents at the year begin:	3 504	15 409	16 175	19 500	19 500	19 500	19 500	18 073	12 225	13 408
Cash/cash equivalents at the year end:	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The Municipality plans to undertake an extensive debt collection drive which will result in an increase of cash receipts from arrear debtors.
4. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

5. Cash and cash equivalents totals R12,2 million as at the end of the 2014/15 financial year and escalate to R14,7 million by 2016/17.

Table 21 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Other current investments > 90 days	–	–	–	–	–	–	–	–	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Application of cash and investments										
Unspent conditional transfers	14 784	7 472	6 043	1 840	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–		–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	–	–	–	–	–	–	–	–	–	–
Other provisions	5 886	6 404	3 862	6 852	6 852	6 852	6 852	6 852	6 852	6 852
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	20 670	13 877	9 904	8 693	6 852	6 852	6 852	6 852	6 852	6 852
Surplus(shortfall)	(5 261)	2 299	13 497	12 629	11 221	11 221	11 221	5 373	6 556	7 865

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

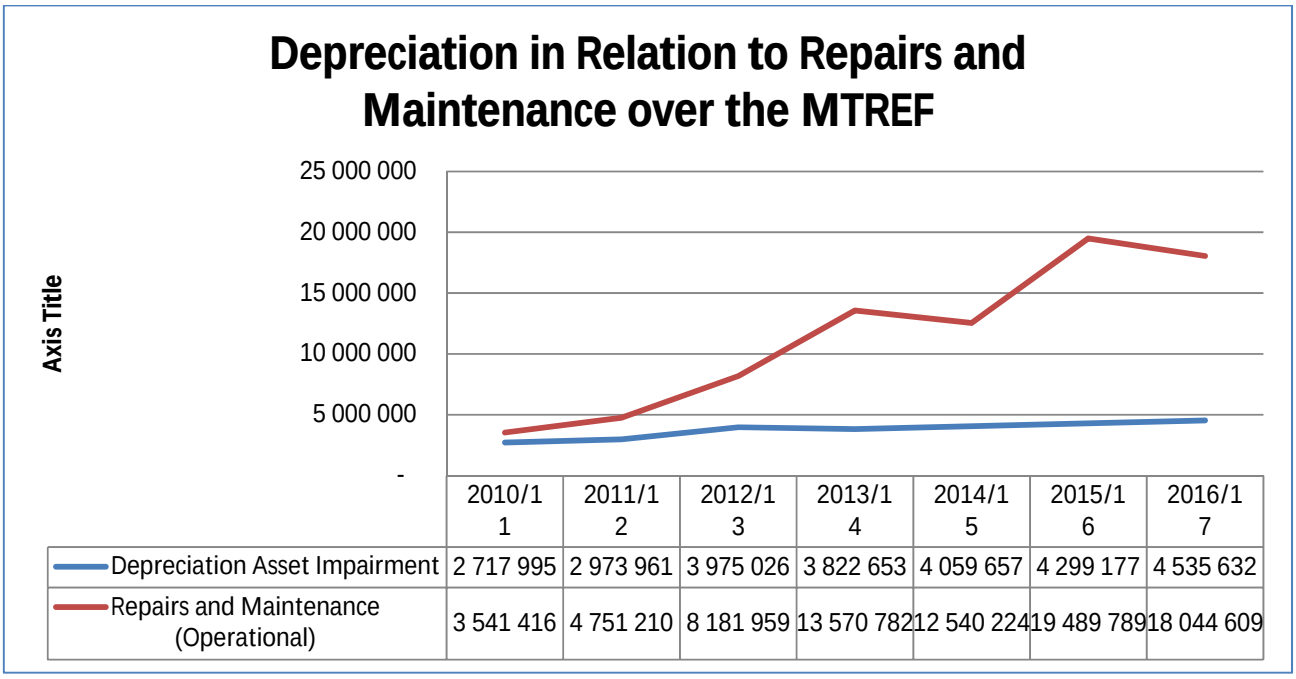
1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2012/13 to 2013/14 the surplus deteriorated to an expected R11,2 million. From 2014/15 the surplus improves from R5,4 million to R7,9 million by 2016/17.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2014/15 MTREF is funded in spite of the reduction in the surplus.

Table 22 MBRR Table A9 - Asset Management

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE									
Total New Assets	31 693	38 076	19 232	51 699	59 808	59 808	48 091	36 076	35 761
Infrastructure - Road transport	16 913	16 885	14 277	15 504	21 504	21 504	10 018	9 000	21 203
Infrastructure - Electricity	9 750	15 206	3 133	14 000	19 061	19 061	12 000	15 000	12 000
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	*26 663*	*32 091*	*17 410*	*29 504*	*40 565*	*40 565*	*22 018*	*24 000*	*33 203*
Community	–	–	–	6 652	9 852	9 852	10 311	9 918	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	5 030	5 986	1 822	15 544	9 391	9 391	15 762	2 158	2 558
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
Total Renewal of Existing Assets	–	–	–	5 928	5 928	5 928	8 245	9 171	11 000
Infrastructure - Road transport	–	–	–	1 545	1 545	1 545	7 500	9 171	8 000
Infrastructure - Electricity	–	–	–	–	–	–	–	–	3 000
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	*1 545*	*1 545*	*1 545*	*7 500*	*9 171*	*11 000*
Community	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	2 483	2 483	2 483	745	–	–
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	1 900	1 900	1 900	–	–	–
Total Capital Expenditure									
Infrastructure - Road transport	16 913	16 885	14 277	17 049	23 049	23 049	17 518	18 171	29 203
Infrastructure - Electricity	9 750	15 206	3 133	14 000	19 061	19 061	12 000	15 000	15 000
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	*26 663*	*32 091*	*17 410*	*31 049*	*42 110*	*42 110*	*29 518*	*33 171*	*44 203*
Community	–	–	–	6 652	9 852	9 852	10 311	9 918	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	5 030	5 986	1 822	18 027	11 874	11 874	16 507	2 158	2 558
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	1 900	1 900	1 900	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	31 693	38 076	19 232	57 627	65 736	65 736	56 336	45 247	46 761
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	–	77 713	72 933	105 148	105 148	105 148	85 439	101 152	127 762
Infrastructure - Electricity	–	2 799	19 356	25 863	25 863	25 863	32 751	59 268	73 686
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	–	*80 512*	*92 288*	*131 012*	*131 012*	*131 012*	*118 190*	*160 420*	*201 448*
Community	–	–	–	6 850	6 850	6 850	–	–	–
Heritage assets	–	78	78	74	74	74	78	78	78
Investment properties	88 095	88 095	88 095	88 095	88 095	88 095	88 095	88 095	88 095
Other assets	–	23 171	32 034	53 821	47 254	47 254	120 436	119 171	120 387
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	102	127	72	1 716	72	72	36	18	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	88 197	191 982	212 567	281 568	273 358	273 358	326 834	367 782	410 007
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	4 060	4 299	4 536
Repairs and Maintenance by Asset Cl	3 541	4 751	8 382	10 833	13 571	13 571	12 540	19 490	18 045
Infrastructure - Road transport	1 752	2 221	6 303	6 735	8 169	8 169	8 075	10 236	8 820
Infrastructure - Electricity	194	1 394	1 069	2 471	3 030	3 030	2 107	5 021	4 759
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	*1 947*	*3 615*	*7 372*	*9 206*	*11 199*	*11 199*	*10 182*	*15 257*	*13 579*
Community	–	–	–	32	32	32	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	1 595	1 137	1 010	1 595	2 340	2 340	2 358	4 233	4 466
TOTAL EXPENDITURE OTHER ITEMS	6 259	7 725	12 754	14 655	17 393	17 393	16 600	23 789	22 580
Renewal of Existing Assets as % of tota	*0.0%*	*0.0%*	*0.0%*	*10.3%*	*9.0%*	*9.0%*	*14.6%*	*20.3%*	*23.5%*
Renewal of Existing Assets as % of dep	*0.0%*	*0.0%*	*0.0%*	*155.1%*	*155.1%*	*155.1%*	*203.1%*	*213.3%*	*242.5%*
R&M as a % of PPE	*5.2%*	*4.6%*	*6.7%*	*5.6%*	*7.3%*	*7.3%*	*5.3%*	*7.0%*	*5.6%*
Renewal and R&M as a % of PPE	*4.0%*	*2.0%*	*4.0%*	*6.0%*	*7.0%*	*7.0%*	*6.0%*	*8.0%*	*7.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality does not meet both these recommendations due to the following:
 - The municipality has cash resources challenges.
 - There is a huge backlog of roads and electricity infrastructure that the municipality has prioritised for 2014/15 MTREF which requires a significant portion of available cash resources.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Depreciation Asset Impairment	2 717 995	2 973 961	3 975 026	3 822 653	4 059 657	4 299 177	4 535 632
Repairs and Maintenance (Operational)	3 541 416	4 751 210	8 181 959	13 570 782	12 540 224	19 489 789	18 044 609

Figure 3 Depreciation in relation to repairs and maintenance over the MTREF

Table 23 MBRR Table A10 - Basic Service Delivery Measurement

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets									
Water:									
Piped water inside dwelling	1 632	1 632	17 239	1 654	1 654	1 654	18 273	19 370	20 532
Piped water inside yard (but not in dwelling)	9 533	9 533	41 611	9 705	9 706	9 706	44 108	46 754	49 559
Using public tap (at least min.service level)	1 780	1 780	15 569	1 812	1 812	1 812	16 503	17 493	18 543
Other water supply (at least min.service level)	3 356	3 356	7 459	3 418	3 417	3 417	7 906	8 381	8 884
Minimum Service Level and Above sub-total	16 301	16 301	81 878	16 589	16 589	16 589	86 790	91 998	97 518
Using public tap (< min.service level)	–	–	3 910	–	–	–	4 145	4 393	4 657
Other water supply (< min.service level)	10 652	10 652	37 518	10 846	10 846	10 846	39 769	42 155	44 685
No water supply	1	1	1 891	1	1	1	2 004	2 125	2 252
Below Minimum Service Level sub-total	10 653	10 653	43 319	10 847	10 847	10 847	45 918	48 673	51 594
Total number of households	26 954	26 954	125 197	27 436	27 436	27 436	132 708	140 671	149 112
Sanitation/sewerage:									
Flush toilet (connected to sewerage)	2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
Flush toilet (with septic tank)	790	790	2 344	805	805	805	2 485	2 634	2 792
Chemical toilet	1 552	1 552	3 217	1 580	1 580	1 580	3 410	3 615	3 831
Pit toilet (ventilated)	2 940	2 940	75 940	2 993	2 993	2 993	80 496	85 326	90 446
Other toilet provisions (> min.service level)	6 721	6 721	–	6 842	6 842	6 842	–	–	–
Minimum Service Level and Above sub-total	14 455	14 455	90 662	14 716	14 716	14 716	96 102	101 868	107 980
Bucket toilet	174	174	550	173	173	173	583	618	655
Other toilet provisions (< min.service level)	–	–	2 599	–	–	–	2 755	2 920	3 095
No toilet provisions	12 325	12 325	31 386	12 547	12 547	12 547	33 268	35 265	37 382
Below Minimum Service Level sub-total	12 499	12 499	34 535	12 720	12 720	12 720	36 606	38 803	41 132
Total number of households	26 954	26 954	125 197	27 436	27 436	27 436	132 708	140 671	149 112
Energy:									
Electricity (at least min.service level)	14 124	14 124	16 700	14 380	14 380	14 380	17 702	17 765	19 890
Electricity - prepaid (min.service level)	–	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	14 124	14 124	16 700	14 380	14 380	14 380	17 702	17 765	19 890
Electricity (< min.service level)	–	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–	–
Other energy sources	12 830	12 830	12 072	13 052	13 052	13 052	12 796	13 564	17 378
Below Minimum Service Level sub-total	12 830	12 830	12 072	13 052	13 052	13 052	12 796	13 564	17 378
Total number of households	26 954	26 954	28 772	27 432	27 432	27 432	30 498	31 329	37 268
Refuse:									
Removed at least once a week	4 493	4 493	19 871	4 574	4 574	4 574	21 065	22 328	23 667
Minimum Service Level and Above sub-total	4 493	4 493	19 871	4 574	4 574	4 574	21 065	22 328	23 667
Removed less frequently than once a week	697	697	2 862	710	710	710	3 033	3 215	3 409
Using communal refuse dump	197	197	1 501	201	201	201	1 591	1 686	1 788
Using own refuse dump	16 552	16 552	81 046	16 852	16 852	16 852	85 907	91 063	96 527
Other rubbish disposal	221	221	2 341	225	225	225	2 481	2 630	2 788
No rubbish disposal	4 794	4 794	17 576	4 870	4 870	4 870	18 631	19 749	20 933
Below Minimum Service Level sub-total	22 461	22 461	105 326	22 858	22 858	22 858	111 643	118 343	125 445
Total number of households	26 954	26 954	125 197	27 432	27 432	27 432	132 708	140 671	149 112
Households receiving Free Basic Service									
Water (6 kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (free minimum level service)	–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per mo	3 310	3 310	2 314	3 475	3 475	3 475	2 453	2 600	2 756
Refuse (removed at least once a week)	1 200	1 200	–	1 260	1 260	1 260	–	–	–
Cost of Free Basic Services provided (R'000)									
Water (6 kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (free sanitation service)	–	–	–	–	–	–	–	–	–
Electricity/other energy (50kwh per household per mo	232	232	2 691	251	251	251	2 908	5 142	6 595
Refuse (removed once a week)	1 336	1 336	–	1 411	1 411	1 411	1 220	1 292	1 363
Total cost of FBS provided (minimum social packa	1 568	1 568	2 691	1 662	1 662	1 662	4 128	6 434	7 958
Highest level of free service provided									
Property rates (R value threshold)	–	–	–	–	–	–	–	–	–
Water (kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (kilolitres per household per month)	–	–	–	–	–	–	–	–	–
Sanitation (Rand per household per month)	–	–	–	–	–	–	–	–	–
Electricity (kwh per household per month)	–	–	50	50	50	50	50	50	50
Refuse (average litres per week)	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided (R'000)									
Property rates (R15 000 threshold rebate)	–	–	–	387	387	387	589	623	658
Property rates (other exemptions, reductions and rebates)	–	–	–	1 521	1 521	1 521	1 055	1 117	1 179
Water	–	–	–	–	–	–	–	–	–
Sanitation	–	–	–	–	–	–	–	–	–
Electricity/other energy	–	–	2 691	2 400	2 400	2 400	2 549	2 699	2 848
Refuse	–	–	–	1 764	1 764	1 764	1 873	1 984	2 093
Municipal Housing - rental rebates	–	–	–	–	–	–	–	–	–
Housing - top structure subsidies	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total revenue cost of free services provided (total social package)	–	–	2 691	6 072	6 072	6 072	6 066	6 424	6 777

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 a. Electricity services – backlog will be reduced by 1,714 households in 2014/15. As indicated elsewhere, the emphasis in the electricity sector is on providing electricity infrastructure to the uPhongolo households. Once the most pressing electricity backlog has been addressed, the electricity distribution network will be prioritised.
 b. Refuse services – This function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 2,453 households to be registered as indigent in 2014/15, and therefore entitled to receiving Free Basic Services. The number is set to increase to 2,756 households given the unfavourable economic conditions.
4. It is anticipated that these Free Basic Services will cost the municipality R4,1 million in 2014/15, increasing to R7,9 million in 2016/17. This is fully covered by the municipality's equitable share allocation from national government.
5. Currently, the 'free services' represent about 2 per cent of total operating revenue in 2014/15.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Municipal Manager.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP/Budget Process Plan 28 August 2013. Key dates applicable to the process were:

- **August 2013** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **December 2013** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- **January 2014 -** Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2014** - Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- **February 2014** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **February 2014 -** Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2014/15 MTREF is revised accordingly;
- **March 20**14 - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014** – Public consultation;
- **May 2014 -** Closing date for written comments;
- **May 2014** – Finalisation of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2014** - Tabling of the 2014/15 MTREF before Council for consideration and approval.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the first review of the IDP as adopted by Council in May 2013. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August 2013.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the first revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;

- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on 31 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

2.2 Overview of alignment of annual budget with IDP

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

The IDP developed by the municipality aims at building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP). This is evidenced by a significant budget allocated to the development of the infrastructure as well Local Economic Development (LED) The municipality has a clear understanding of both national and provincial intent which will enable the municipality to strategically comply with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The National Development Plan identified a number of microeconomic reforms needed to boost economic growth and include amongst others:

- reducing cost of living for poor households;
- reducing cost of doing business;
- support for small, medium and micro enterprises (SMMEs), business start-ups, a greener and more sustainable economy; and
- support for local production, employment through government procurement and broadening and strengthening industrial development.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 24 IDP Strategic Objectives

STRATEGIC OBJECTIVES - 2014/15 MTREF
Develop and implement credible third generation IDP; implement a compliant PMS cascaded down to all levels; employ and develop highly effective workforce representative of municipality demographic profile and provide sufficient and effective support services for municipal operations.
Increase number of households with access to free basic services; maintain and ensure full functionality of infrastructure, facilities and amenities; support and develop community towards reduction of socio-economic challenges and ensure community and environmental safety and security.
Develop and implement the LED and tourism strategies; increase effors of supporting businesses, SMME's and Cooperatives and increase LED capacity and governance.
Increase revenue collection and generation yearly; control and account for expenditure; enforce a fair and legislatively compliance SCM Policy and budget and report on financial transactions and assets according to legislation.
Ensure a fully functional audit and risk management unit; establish and ensure functioning of all Council Structures and Committees; review and implement public participation strategy.
Develop and implement environmental management plan; SDF and LUMS; disaster management plan and fire services and participate in Intergovernmental relations.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water; and
 - Maintaining the infrastructure of the Municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the Municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective city cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring save working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas / objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and

- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Develop and implement credible third generation IDP; implement a compliant PMS cascaded down to all levels; employ and develop highly effective workforce representative of municipality demographic profile and provide sufficient and effective support services for municipal operations.	To increase organisation capacity by 10% each year.	A	A1; A2; A3; A4	1 632	1 567	13 195	16 276	16 694	16 694	11 128	13 134	13 504
Increase number of households with access to free basic services; maintain and ensure full functionality of infrastructure, facilities and amenities; support and develop community towards reduction of socio-economic challenges and ensure community and environmental safety and security.	To increase access to municipal services by 5% each year	B	B1; B2; B3; B4	32 304	37 671	60 492	82 168	83 241	83 241	104 296	117 912	120 663
Develop and implement the LED and tourism strategies; increase effors of supporting businesses, SMME's and Cooperatives and increase LED capacity and governance	To boost the Local Economy by 5 points each year.	C	C1; C2; C3	43	523	3 436	2 357	20 738	20 738	4 566	8 392	8 581
Increase revenue collection and generation yearly; control and account for expenditure; enforce a fair and legislatively compliance SCM Policy and budget and report on financial transactions and assets according to legislation.	To increase own revenue by 5% each year.		D1; D2; D3; D4	50 766	70 261	39 730	34 702	39 168	39 168	40 440	43 239	45 266
Ensure a fully functional audit and risk management unit; establish and ensure functioning of all Council Structures and Committees; review and implement public participation strategy.	To achieve a clean audit	E	E1; E2; E3	7 218	9 910	7 664	12 916	12 916	12 916	14 443	16 348	16 846
Develop and implement environmental management plan; SDF and LUMS; disaster management plan and fire services and participate in Intergovernmental relations.	To increase environmental and community safety	F	F1; F2; F3: F4	3 662	4 599	13 217	14 053	15 386	15 386	14 716	16 163	16 946

Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Develop and implement credible third generation IDP; implement a compliant PMS cascaded down to all levels; employ and develop highly effective workforce representative of municipality demographic profile and provide sufficient and effective support services for municipal operations.	To increase organisation capacity by 10% each year.	A	A1; A2; A3; A4	9 552	35 497	15 603	20 297	16 746	16 746	19 787	22 191	23 494
Increase number of households with access to free basic services; maintain and ensure full functionality of infrastructure, facilities and amenities; support and develop community towards reduction of socio-economic challenges and ensure community and environmental safety and security.	To increase access to municipal services by 5% each year	B	B1; B2; B3; B4	28 779	32 610	37 090	45 277	49 831	49 831	54 560	68 039	69 347
Develop and implement the LED and tourism strategies; increase effors of supporting businesses, SMME's and Cooperatives and increase LED capacity and governance	To boost the Local Economy by 5 points each year.	C	C1; C2; C3	2 007	1 929	3 034	4 938	5 837	5 837	8 719	15 309	16 163
Increase revenue collection and generation yearly; control and account for expenditure; enforce a fair and legislatively compliance SCM Policy and budget and report on financial transactions and assets according to legislation.	To increase own revenue by 5% each year.		D1; D2; D3; D4	28 758	10 817	18 912	22 818	20 340	20 340	22 479	23 634	24 987
Ensure a fully functional audit and risk management unit; establish and ensure functioning of all Council Structures and Committees; review and implement public participation strategy.	To achieve a clean audit	E	E1; E2; E3	9 235	11 849	14 193	18 545	18 892	18 892	17 514	19 547	20 622
Develop and implement environmental management plan; SDF and LUMS; disaster management plan and fire services and participate in Intergovernmental relations.	To increase environmental and community safety	F	F1; F2; F3: F4	14 360	14 700	14 193	15 993	18 041	18 041	20 410	21 671	22 982
Allocations to other priorities												
0			1	92 691	107 403	103 025	127 868	129 686	129 686	143 469	170 391	177 596

Table 27 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Develop and implement credible third generation IDP; implement a compliant PMS cascaded down to all levels; employ and develop highly effective workforce representative of municipality demographic profile and provide sufficient and effective support services for municipal operations.	To increase organisation capacity by 10% each year.	A	A1; A2; A3; A4	2 865	2 045	130	8 906	306	306	9 200	–	–
Increase number of households with access to free basic services; maintain and ensure full functionality of infrastructure, facilities and amenities; support and develop community towards reduction of socio-economic challenges and ensure community and environmental safety and security.	To increase access to municipal services by 5% each year	B	B1; B2; B3; B4	27 183	36 032	17 410	43 488	46 822	46 822	44 854	45 239	46 753
Develop and implement the LED and tourism strategies; increase effors of supporting businesses, SMME's and Cooperatives and increase LED capacity and governance	To boost the Local Economy by 5 points each year.	C	C1; C2; C3	–	–	1 271	1	11 700	11 700	–	–	–
Increase revenue collection and generation yearly; control and account for expenditure; enforce a fair and legislatively compliance SCM Policy and budget and report on financial transactions and assets according to legislation.	To increase own revenue by 5% each year.		D1; D2; D3; D4	–	–	80	3 181	4 454	4 454	25	–	–
Ensure a fully functional audit and risk management unit; establish and ensure functioning of all Council Structures and Committees; review and implement public participation strategy.	To achieve a clean audit	E	E1; E2; E3	500	–	91	1 300	1 000	1 000	700	–	–
Develop and implement environmental management plan; SDF and LUMS; disaster management plan and fire services and participate in Intergovernmental relations.	To increase environmental and community safety	F	F1; F2; F3: F4	1 145	–	250	751	1 454	1 454	1 557	8	8
Allocations to other priorities			3									
Total Capital Expenditure			1	31 693	38 076	19 232	57 627	65 736	65 736	56 336	45 247	46 761

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information. The Municipality has developed and implemented a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);

- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 28 MBRR Table SA7 - Measurable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Planning & Development:Technical										
Function: Roads										
Sub-function: Eradication of backlogs										
Reduce roads and stormwater backlogs	Kilometers	7	7	7	7	7	7	9.9	10	10
Function: Roads										
Sub-function: Road maintenance										
Roads rehabilited	Kilometers	-	-	-	2	2	2	7.5	9.2	8
Function: Technical Services										
Sub-function: Eradication of backlogs										
New sub-rank for growth	Number	-	-	-	-	-	-	-	-	-
Sub-function: Eradication of backlogs										
Construction of community halls	Number	-	-	-	1	1	1	3	2	3
Sub-function: Eradication of backlogs										
Construction of sportfields	Number	-	-	-	3	3	3	3	3	-
Sub-function: Eradication of backlogs										
Construction of creches	Number	-	-	-	3	3	3	1	4	2
Community and Social Services										
Function: Local Economic Development										
Sub-function: Economic development										
Construction of flea market - phase 2	Number	-	-	-	-	-	-			
Construction of Imbube Cultural Centre	Number	-	-	-	-	1	1	-	-	-
Electricity Services										
Function: Electricity Services										
Sub-function: Electricity Services										
Households provided with electricity	Households	-	1 215	762	1 714	1 714	1 714	1610	857	857
Sub-function: Provide Public Lighting										
Installation of high mast in town		-	-	1	-	-	-	-	-	5
Sub-function: Excess to alternative										
Households provided with alternative energy	Households	-	-	1 059	1 065	1 065	1 065	1 130	1 050	1 000

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 29 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
		Audited	Audited	Audited	Original	Adjusted	Full Year	Pre-audit	Budget Year	Budget Year	Budget Year
Borrowing Management											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid	2.1%	-3.0%	2.0%	3.5%	1.5%	1.5%	1.5%	2.1%	1.8%	1.9%
Capital Charges to Own Revenue	Finance charges &	4.8%	-7.6%	3.9%	8.3%	3.4%	3.4%	3.4%	4.4%	4.3%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current	1.3	0.9	1.9	1.9	2.1	2.1	2.1	1.5	1.4	1.2
Current Ratio adjusted for aged debtors	Current assets less debtors >	1.3	0.9	1.9	1.9	2.1	2.1	2.1	1.5	1.4	1.2
Liquidity Ratio	Monetary Assets/Current	0.4	0.5	0.7	0.9	0.6	0.6	0.6	0.3	0.2	0.2
Revenue Management											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last		91.2%	99.8%	113.3%	95.1%	96.3%	96.3%	96.3%	100.0%	99.8%
Current Debtors Collection Rate (Cash receipts % of		91.2%	91.9%	111.9%	95.1%	96.3%	96.3%	96.3%	100.0%	99.8%	99.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to	26.7%	7.4%	30.1%	13.3%	29.8%	29.8%	29.8%	33.7%	34.5%	38.4%
Longstanding Debtors Recovered	Debtors > 12 Mths	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Creditors Management											
Creditors System Efficiency	% of Creditors Paid Within	100.0%	100.0%	95.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		89.1%	129.1%	67.0%	88.3%	108.8%	108.8%	108.8%	255.8%	325.7%	384.5%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kW)	612	1 092	5 614	1 025	1 025	1 025	1 025	410	395	390
	Total Cost of Losses (Rand	263	459	3 818	738	738	738	738	320	332	355
	% Volume (units purchased	2.1%	3.4%	18.5%	12.0%	12.0%	12.0%	12.0%	8.0%	8.0%	8.0%
Water Distribution Losses (2)	Total Volume Losses (kℓ)	–	–	–	–	–	–	–	–	–	–
	Total Cost of Losses (Rand	–	–	–	–	–	–	–	–	–	–
	% Volume (units purchased	–	–	–	–	–	–	–	–	–	–
Employee costs	Employee costs/(Total	30.4%	29.4%	28.4%	28.2%	28.4%	28.4%	28.4%	30.3%	28.2%	29.1%
Remuneration	Total remuneration/(Total	35.3%	34.0%	32.3%	33.7%	33.7%	33.7%		35.2%	32.7%	33.7%
Repairs & Maintenance	R&M/(Total Revenue	4.0%	4.8%	7.0%	8.6%	10.3%	10.3%		8.3%	11.3%	10.2%
Finance charges & Depreciation	FC&D/(Total Revenue -	3.6%	3.7%	4.3%	4.1%	3.2%	3.2%	3.2%	3.3%	2.8%	2.9%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue -	(346.5)	7.5	11.9	18.1	18.1	18.1	7.7	8.3	8.3	8.8
ii.O/S Service Debtors to Revenue	Total outstanding service	66.9%	21.4%	82.7%	37.9%	79.2%	79.2%	79.2%	88.3%	97.2%	106.0%
iii. Cost coverage	(Available cash +	2.5	2.1	3.5	2.8	2.3	2.3	2.3	1.4	1.4	1.4

2.2.1 Performance indicators and benchmarks

2.2.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, uPhongolo Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. While this ratio is decreasing over the MTREF from 4.6 per cent to 2.8 per cent in 2016/17, it needs to be noted that the increased capital

grants and transfers has contributed to the decrease and must not be considered a measure on borrowing capacity in isolation of other ratios and measures.

- *Capital charges to operating expenditure* is a measure of borrowing cost in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily declined from 2.1 per cent in 2014/15 to 1.9 per cent in 2016/17. This decrease can be attributed to the of small loans to fund portions of the capital programme in the two outer years of the MTREF. The norm is 6%-8%. Clearly the municipality is operating below the norm which indicates that it has capacity to take on additional financing from borrowing to invest in infrastructure projects.

 Although borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as excessive loans may have adverse financial leverage for the municipality.

- *Borrowing funding of own capital expenditure* measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. The average over MTREF is 4.6 per cent which substantiates the above mentioned statement that the Municipality has not reached its prudential borrowing limits.

The Municipality has raised a combination of annuity and instalment sale loans in the past five years, hence effectively 'front-loading' its debt service costs. This is reflected in the Municipality's debt service profile, which predicts large debt service costs between 2014 and 2015. Debt service costs are expected to peak in 2014 due to the raising of new loans with the financial institutions.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

2.2.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. The debt equity ratio is 19.3 per cent in 2014/15 and escalates to 21.5 per cent by 2016/17.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. In 2014/15 the gearing ratio is 4.6 per cent and decreases to 3.5 per cent by 2016/15 In both instances the ratios are relatively low and this is primarily due to low borrowings in relation to own funds.

2.2.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this

ratio be less than 1. For the 2014/15 MTREF the current ratio is 1.5 in 2014/15; 1.4 in 2015/16 and 1.2 in 2016/17. The norm range is between 1.5 to 2.1. The ratio for the 2014/15 MTREF indicates that the municipality will have difficulties in paying all its current or short term obligations when they fall due. Going forward it will be necessary to improve the liquidity levels.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15 financial year the ratio is 2.1 and decreases to 1.2 by 2016/17. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be maintained at a minimum of 1.

2.2.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.2.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.2.1.6 Other Indicators

- Employee costs as a percentage of operating expenditure decreases from 31.8 per cent in 2014/15 to 29.1 per cent by 2016/17. Similarly the total remuneration of Councillors also shows a decreasing trend from 5.2 per cent in 2014/15 to 4.6 per cent by 2016/17. The total remuneration to operating ratio is 36.9 per cent in 2014/15 and decreases to 33.7 per cent in 2016/17. The norm is 25% and 40%. Going forward, this ratio needs to be carefully monitored.

- Repairs and maintenance as percentage of operating revenue is increasing owing directly to cost drivers such as the increasing written down values of assets (WDV). In terms of Treasury Circular 66 the budget for repairs and maintenance should at least be

8 per cent of the WDV. The repairs and maintenance rate is 5.7 per cent in 2014/15 and 5.9 per cent by 2016/17. This rate has been arrived at by excluding the value of land from the written down value of total assets. Note land does not depreciate.

2.2.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/15 financial year 2,453 registered indigents have been provided for in the budget with this figured increasing to 2,756 by 2016/17. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity, and 80% waste removal as well as a 100 per cent rebate on the value of property for property rates purposes.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 42.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1. Review of credit control and debt collection procedures/policies

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 77 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2. Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3. Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4. Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in July 2006 and was last review in December 2013 to take into account the new regulations. An amended policy was considered by Council in December 2013.

2.4.5. Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council on 31 March 2014 in respect of both Operating and Capital Budget Fund Transfers.

2.4.6. Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was approved by Council on 31 March 2014. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.7. Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Budget Policy; and
- Indigent Policy.

2.5 Overview of budget assumptions

2.5.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs comprise 31.8 per cent of total operating expenditure in the 2014/15 MTREF The wage agreement SALGBC

concluded with the municipal workers unions on 31 July 2009 as well as the categorisation and job evaluation wage curves collective agreement signed on 21 April 2010 must be noted.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (77 per cent) of annual billings. Cash flow is assumed to be 77 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.6 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2015. Year three is an across the board increase of 5.54 per cent.

2.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture;
- Fighting crime and corruption; and
- Economic growth.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of at least 77 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;

- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing / calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

New developments are taking place in uPhongolo. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 4th quarter of the 2014 / 15 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, and refuse removal constitute the biggest component of the revenue basket of the Municipality. With new developments taking place, it is expected that revenue from this services will grow exponentially.

Operational grants and subsidies are a major source of operating revenue. It needs to be noted that in real terms the grants receipts from national and provincial government are growing rapidly over the MTREF by 13.2 and 23.1 per cent for the two outer years.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1,3 million, R1,4 million and R1,5 million for the respective three financial years of the 2014 / 15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 31 MBRR SA15 – Detail Investment Information

Investment type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank		12 207	8 734	22 873	21 318	18 070	18 070	12 221	13 402	14 713
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Consolidated total:		12 207	8 734	22 873	21 318	18 070	18 070	12 221	13 402	14 713

Table 32 MBRR SA16 – Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment Yrs/Months	Type of Investment	Interest Rate 3.	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Parent municipality									
First National Bank	1 day call	Call Deposits	6-8%	On Call	9 844	1 319	(107 572.145)	107 572.145	11 163
Standard Bank	1 day call	Money Market	5-6%	On Call	3 726	201	–	–	3 927
Nedbank	1 day call	Money Market	5-6%	On Call	4 500	241	(35 672.625)	35 672.625	4 741
									–
									–
									–
									–
TOTAL INVESTMENTS AND INTEREST					18 070		(143 245)	143 245	19 832

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The 2014/15 MTREF therefore provides for a budgeted surplus of in each of the financial years. This surplus is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 33 Sources of capital revenue over the MTREF

Description	2013/14 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget 2013/14	%	Budget Year 2014/15	%	Budget Year 2015/16	%	Budget Year 2016/17	%
Funded by:								
National Government	47 973 250	83.2	38 789 000	68.9	43 089 000	95.2	44 203 000	94.5
Provincial Government			-		-			
Transfers recognised – capital	**47 973 250**	83.3	**38 789 000**	**68.9**	**43 089 000**	**95.2**	**44 203 000**	**94.5**
Borrowings	7 279 000	12.6	10 215 000	18.1	450 000	1.0	2 550 000	**5.5**
Internally generated funds	2 375 000	4.1	7 331 950	13.0	1 708 000	3.8	8 000	**0.0**
Total Capital Funding	**57 627 250**	**100.0**	**56 335 950**	**100.0**	**45 247 000**	**100.0**	**46 761 000**	**100.0**

The above table is graphically represented as follows for the 2014/15 MTREF.

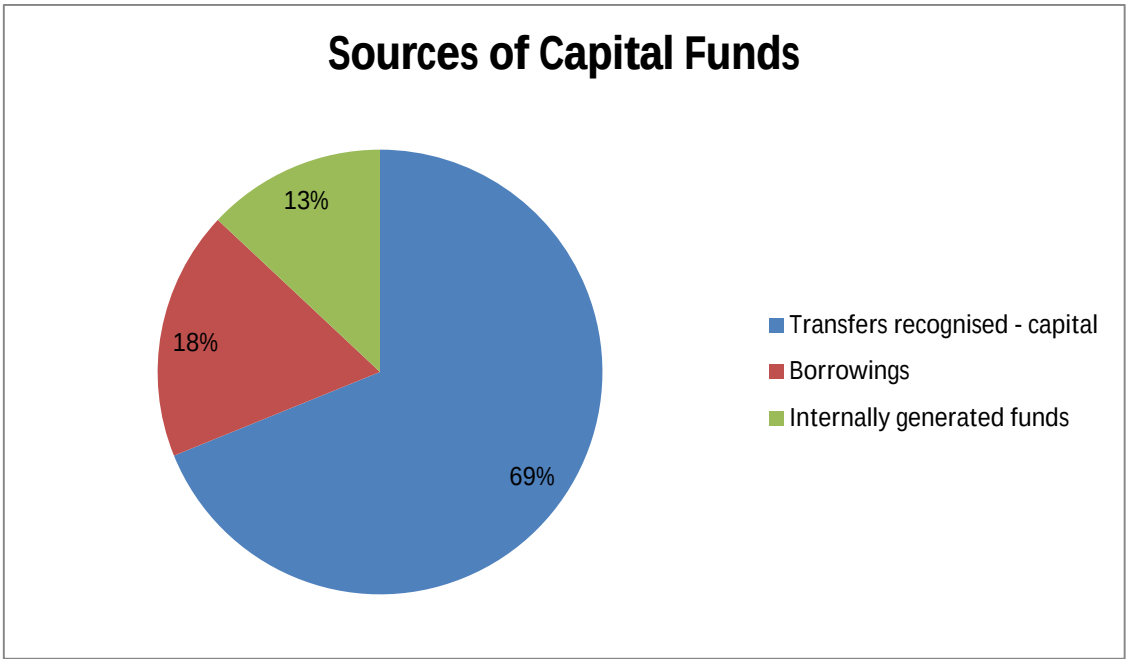


Figure 4 Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts equates to 69 per cent of the total funding source which represents R38,8 million for the 2014/15 financial year.

Borrowing still remains a significant funding source for the capital programme over the medium-term with an estimated R10,2 million to be raised in 2014/15 or 18 per cent of the total funding sources. As explained earlier, the borrowing capacity of the Municipality has not yet reached its limits and there is still room for additional borrowings. However, further borrowings should be carefully considered against the level of cash resources. At this stage more borrowing than budgeted for should not be considered as this might adversely affect the solvency of the municipality.

The following table is a detailed analysis of the Municipality's borrowing liability.

Table 34 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Parent municipality										
Long-Term Loans (annuity/reducing balance)		3 213	2 430	845	12 091	1 235	1 235	4 805	4 029	4 335
Long-Term Loans (non-annuity)										
Local registered stock										
Instalment Credit		–	2 576	1 272	6 602	5 780	5 780	10 085	9 642	9 680
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
Total Borrowing	1	3 213	5 006	2 117	18 693	7 014	7 014	14 890	13 671	14 015
Unspent Borrowing - Categorised by type										
Parent municipality										
Long-Term Loans (annuity/reducing balance)		–	–	–	–	–	–	–	–	–
Long-Term Loans (non-annuity)		–	–	–	–	–	–	–	–	–
Local registered stock		–	–	–	–	–	–	–	–	–
Instalment Credit		–	–	–	–	–	–	–	–	–
Financial Leases		–	–	–	–	–	–	–	–	–
PPP liabilities		–	–	–	–	–	–	–	–	–
Finance Granted By Cap Equipment Supplier		–	–	–	–	–	–	–	–	–
Marketable Bonds		–	–	–	–	–	–	–	–	–
Non-Marketable Bonds		–	–	–	–	–	–	–	–	–
Bankers Acceptances		–	–	–	–	–	–	–	–	–
Financial derivatives		–	–	–	–	–	–	–	–	–
Other Securities		–	–	–	–	–	–	–	–	–
Total Unspent Borrowing	1	–	–	–	–	–	–	–	–	–

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R7,3 million in 2014/15, and R8 thousand in 2016/17.

Table 35 MBRR Table SA 18 - Capital transfers and grant receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure & funds sources										
Capital expenditure	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761
Transfers recognised - capital	8 072	24 613	18 616	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	4 154	–	17 543	7 279	7 279	7 279	10 215	–	–
Internally generated funds	23 621	9 309	616	3 584	2 375	2 375	2 375	7 332	2 158	2 558
Total sources of capital funds	31 693	38 076	19 232	57 627	65 736	65 736	65 736	56 336	45 247	46 761

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 36 MBRR Table A7 - Budget cash flow statement

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	33 570	37 882	57 639	49 716	55 356	55 356	55 356	66 184	69 951	73 806
Government - operating	47 433	57 611	63 318	72 388	73 197	73 197	73 197	82 855	100 462	102 027
Government - capital	8 072	24 613	21 784	36 501	56 082	56 082	56 082	38 789	43 089	44 203
Interest	4 140	3 866	4 325	1 314	1 377	1 377	1 377	5 588	5 600	5 908
Dividends	–	–	–	–	–	–	–	–	–	–
Payments										
Suppliers and employees	(63 497)	(91 209)	(116 357)	(113 550)	(126 991)	(126 991)	(126 991)	(147 839)	(162 031)	(168 682)
Finance charges	(399)	(752)	(765)	(1 339)	(405)	(405)	(405)	(471)	(571)	(604)
Transfers and Grants	–	–	–	–	–	–	–	(2 810)	(7 976)	(8 415)
NET CASH FROM/(USED) OPERATING ACTIVITIES	29 318	32 012	29 945	45 031	58 616	58 616	58 616	42 295	48 524	48 243
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	846	1 350	(560)	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	3 263	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	688	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–
Payments										
Capital assets	(18 532)	(39 409)	(19 232)	(57 627)	(65 736)	(65 736)	(65 736)	(56 336)	(45 247)	(46 761)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(17 686)	(34 797)	(19 104)	(57 627)	(65 736)	(65 736)	(65 736)	(56 336)	(45 247)	(46 761)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–	–	(907)	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	(729)	(1 409)	17 543	7 279	7 279	7 279	10 215	450	2 550
Increase (decrease) in consumer deposits	1 815	299	–	–	–	–	–	–	–	–
Payments										
Repayment of borrowing	(1 542)	3 982	(1 297)	(3 125)	(1 587)	(1 587)	(1 587)	(2 022)	(2 545)	(2 723)
NET CASH FROM/(USED) FINANCING ACTIVITIES	273	3 551	(3 614)	14 418	5 692	5 692	5 692	8 193	(2 095)	(173)
NET INCREASE/ (DECREASE) IN CASH HELD	11 904	767	7 226	1 821	(1 427)	(1 427)	(1 427)	(5 848)	1 183	1 309
Cash/cash equivalents at the year begin:	3 504	15 409	16 175	19 500	19 500	19 500	19 500	18 073	12 225	13 408
Cash/cash equivalents at the year end:	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718

The above table shows that cash and cash equivalents of the Municipality are largely depleted in 2014/15 and increase in 2016/17. The Municipality plans to undertake an extensive debt collection process to boost cash levels and has acquired the services of a reputable debt collecting firm. It is expected the interventions will translate into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R14,7 million by 2016/17.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 37 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available										
Cash/cash equivalents at the year end	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Other current investments > 90 days	–	–	–	–	–	–	–	–	–	–
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Application of cash and investments										
Unspent conditional transfers	14 784	7 472	6 043	1 840	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–		–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	–	–	–	–	–	–	–	–	–	–
Other provisions	5 886	6 404	3 862	6 852	6 852	6 852	6 852	6 852	6 852	6 852
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	20 670	13 877	9 904	8 693	6 852	6 852	6 852	6 852	6 852	6 852
Surplus(shortfall)	(5 261)	2 299	13 497	12 629	11 221	11 221	11 221	5 373	6 556	7 865

From the above table it can be seen that the cash and investments available total R11,2 million in the 2014/15 financial year and decrease to R7,9 million by 2016/17, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. For the 2014/15 MTREF no provision has been made for this liability as the total conditional grants allocated have been factored into the 2014/15 MTREF capital programme of the Municipality.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet current obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- The provision for the landfill site rehabilitation is not cash backed. In future a need for a cash backed reserve will have to be created.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively improved over the 2014/15 MTREF. It should be noted that from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible considering the funding requirements of section 18 and 19 of the MFMA. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

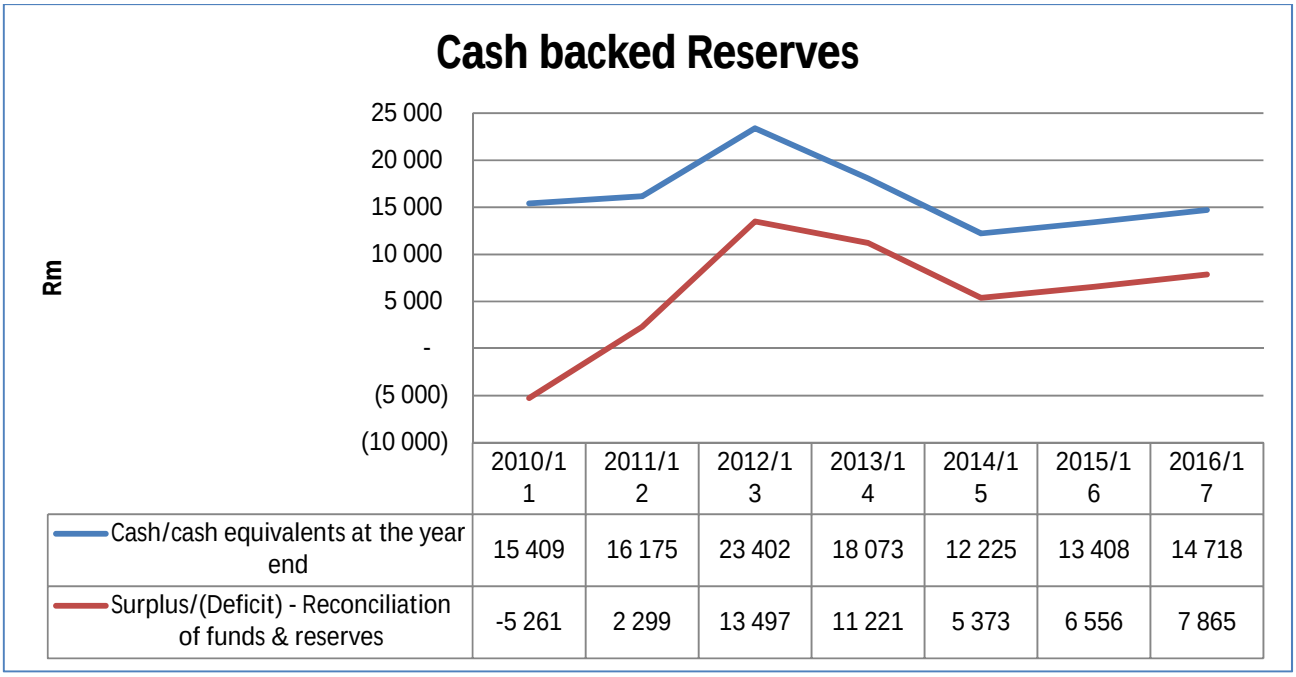


Figure 5 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 38 MBRR SA10 – Funding compliance measurement

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	15 409	16 175	23 402	21 322	18 073	18 073	18 073	12 225	13 408	14 718
Cash + investments at the yr end less applications - R'000	18(1)b	2	2 360	(11 792)	38 002	9 705	29 494	29 494	29 494	24 983	22 104	19 405
Cash year end/monthly employee/supplier payments	18(1)b	3	2.5	2.1	3.5	2.8	2.3	2.3	2.3	1.4	1.4	1.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	9.1%	19.3%	(4.9%)	5.9%	(6.0%)	(6.0%)	10.1%	(0.1%)	(0.5%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	91.2%	91.9%	111.9%	95.1%	96.3%	96.3%	96.3%	100.0%	99.8%	99.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	58.3%	70.9%	5.8%	3.1%	2.8%	2.8%	2.8%	2.5%	2.5%	2.5%
Capital payments % of capital expenditure	18(1)c;19	8	58.5%	103.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	(5.4%)	(228.9%)	83.0%	75.4%	75.4%	75.4%	58.2%	20.9%	99.7%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(63.3%)	385.8%	(53.4%)	135.5%	0.0%	0.0%	29.2%	16.6%	15.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	5.2%	4.6%	6.7%	5.6%	7.3%	7.3%	6.8%	5.3%	7.0%	5.6%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	10.3%	9.0%	9.0%	0.0%	14.6%	20.3%	23.5%

2.6.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2014/15 MTREF shows R12,2 million, R13,4 million and R14,7 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality

be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been fluctuating significantly for the period 2010/11 to 2012/13, moving from 2.5 per cent to 3.5 per cent by 2012/13. For the 2014/15 MTREF the ration remains constant at 1.4. As indicated above the Municipality aims to achieve at least 1.5 month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are

consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a surplus of R46,1 million, R44.7 million and R44,2 thousand respectively.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 10.0 in 2014/15, and then becomes negative at 0.0.1 and 0.5 per cent for the two outer years of the 2014/15 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6.2 per cent, with the increase in electricity at 7.39 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 100.0 in 2014/15 and 99.8 per cent in each of the two outer years of the MTREF. Given that the assumed collection rate was based on a 77 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 2.5 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that no timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to meet the commitments in the relevant accounting period.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers / grants and contributions) has been be excluded. It can be seen that borrowing equates to 58.2 per cent of own funded capital.

2.6.5.10Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. This measures shows a relatively low trend which is not in line with the Municipality's policy of settling debtors accounts within 30 days.

2.6.5.12Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and / or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 52 MBRR SA34C on page 89.

2.6.5.13Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal / rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and / or sustainable and future revenue is not being protected, similar to the justification for 'repairs

and maintenance' budgets. Further details in this regard are contained in Table 51 MBRR SA34b on page 88.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 39 MBRR SA19 - Expenditure on transfers and grant programmes

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	45 824	55 912	62 263	69 929	823	70 752	81 553	99 247	100 533
Local Government Equitable Share	43 874	52 612	59 786	66 389		66 389	76 982	96 330	97 415
Finance Management	1 200	1 500	1 500	1 650		1 650	1 800	1 950	2 100
Municipal Systems Improvement	750	800	800	890		890	934	967	1 018
Expanded Public Works Programme Integrate	–	1 000	177	1 000	823	1 823	1 837	–	–
Provincial Government:	–	402	637	1 225	434	1 520	1 202	1 115	1 394
Community Library Services	–	–	106	139	125	125	132	138	365
Provincialisation of Libraries	–	402	440	886		886	920	977	1 029
Maintenance of Sports Facility							150	–	–
Thusong Centre	–	–	91	–	309	309	–	–	–
IDP - Public Participation	–	–		200		200	–	–	–
District Municipality:	50	50	100	50	–	50	100	100	100
ZDM Subsidy	50	50	100	50		50	100	100	100
Other grant providers:	–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and G	45 874	56 364	63 000	71 204	1 257	72 322	82 855	100 462	102 027
Capital expenditure of Transfers and Grants									
National Government:	22 963	25 793	20 326	37 685	3 681	41 366	38 789	43 089	44 203
Municipal Infrastructure Grant (MIG)	13 963	16 793	16 690	23 685	3 681	27 366	26 789	28 089	29 203
Integrated Electrification- DME	9 000	9 000	3 636	14 000	–	14 000	12 000	15 000	15 000
Provincial Government:	–	–	1 458	–	15 900	15 900	–	–	–
Sports Facility			–	–	1 200	1 200	–	–	–
Small Town Rehabilitation & sports farcility			1 458	–	14 700	14 700	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
ZDM Subsidy									
Other grant providers:	–	–	–	–	–	–	–	–	–
Total capital expenditure of Transfers and Grar	22 963	25 793	21 784	37 685	19 581	57 266	38 789	43 089	44 203
TOTAL EXPENDITURE OF TRANSFERS AND GI	68 837	82 157	84 784	108 889	20 838	129 588	121 644	143 551	146 230

Table 40 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Operating transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–		–	–	–	–	–	–
Current year receipts	45 824	55 112	59 786	69 929	823	70 752	81 553	99 247	100 533
Conditions met - transferred to revenue	45 824	55 112	58 963	69 929	823	70 752	81 553	99 247	100 533
Conditions still to be met - transferred to liabilities	–	–	823	–	–	–			
Provincial Government:									
Balance unspent at beginning of the year	–	–	1 740	–	–	–	–	–	–
Current year receipts	–	402	946	1 225	(14)	1 211	1 202	1 115	1 394
Conditions met - transferred to revenue	–	402	955	1 225	(14)	1 211	1 202	1 115	1 394
Conditions still to be met - transferred to liabilities			1 731	–	–	–			
District Municipality:									
Balance unspent at beginning of the year	–	–	–	–	–	–			
Current year receipts	50	50	100	50	–	50	100	100	100
Conditions met - transferred to revenue	50	50	–	50	–	50	100	100	100
Conditions still to be met - transferred to liabilities			100						
Other grant providers:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Total operating transfers and grants revenue	45 874	55 564	59 918	71 204	809	72 013	82 855	100 462	102 027
Total operating transfers and grants - CTBM	–	–	2 654	–	–	–	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	–	–	–	–	3 681	3 681	–	–	–
Current year receipts	22 963	25 793	20 371	37 685	37 685	37 685	38 789	43 089	44 203
Conditions met - transferred to revenue	22 963	25 793	21 667	37 685	41 366	41 366	38 789	43 089	44 203
Conditions still to be met - transferred to liabilities	–	–	(1 296)	–	–	–	–	–	–
Provincial Government:									
Balance unspent at beginning of the year			2 418	–	13 185	13 185	–	–	–
Current year receipts	–	–	12 225	–	3 675	3 675	–	–	–
Conditions met - transferred to revenue	–	–	1 458	–	16 860	16 860	–	–	–
Conditions still to be met - transferred to liabilities	–	–	13 185	–	–	–			
District Municipality:									
Balance unspent at beginning of the year									
Current year receipts									
Conditions met - transferred to revenue	–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities									
Other grant providers:									
Balance unspent at beginning of the year	–	–	–						
Current year receipts	–	3 600	–						
Conditions met - transferred to revenue	–	3 600	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	–	–	–						
Total capital transfers and grants revenue	22 963	29 393	23 125	37 685	58 226	58 226	38 789	43 089	44 203
Total capital transfers and grants - CTBM	–	–	11 889	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	68 837	84 957	83 043	108 889	59 035	130 239	121 644	143 551	146 230
TOTAL TRANSFERS AND GRANTS - CTBM	–	–	14 543	–	–	–	–	–	–

2.8 Councillor and employee benefits

Table 41 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	2 672	4 250	4 255	4 812	4 785	4 785	5 024	5 275	5 539
Pension and UIF Contributions	–	–	–	–	–	–	–	–	–
Medical Aid Contributions	–	–	–	–	–	–	–	–	–
Motor Vehicle Allowance	1 229	1 293	1 418	1 604	1 595	1 595	1 675	1 758	1 846
Cellphone Allowance	319	299	323	464	563	563	592	621	652
Housing Allowances	–	–	–	–	–	–	–	–	–
Other benefits and allowances	–	–	–	–	97	97	102	107	113
Sub Total - Councillors	4 220	5 842	5 997	6 880	7 041	7 041	7 393	7 762	8 150
% increase		38.4%	2.6%	14.7%	2.3%	–	5.0%	5.0%	5.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	1 770	1 180	2 209	4 639	2 983	2 983	2 975	3 165	3 368
Pension and UIF Contributions	8	22	5	–	–	–	8	8	9
Medical Aid Contributions	37	–	–	–	–	–	–	–	–
Overtime	–	–	–	–	–	–	–	–	–
Performance Bonus	231	–	–	526	–	–	417	443	472
Motor Vehicle Allowance	440	345	235	408	80	80	780	830	883
Cellphone Allowance	40	29	17	54	–	–	68	73	77
Housing Allowances	160	–	–	188	–	–	–	–	–
Other benefits and allowances	378	270	147	71	–	–	–	–	–
Payments in lieu of leave	–	130	–	–	–	–	–	–	–
Long service awards	–	–	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Senior Managers of Municipality	3 064	1 976	2 613	5 886	3 063	3 063	4 248	4 520	4 809
% increase		(35.5%)	32.3%	125.2%	(48.0%)	–	38.7%	6.4%	6.4%
Other Municipal Staff									
Basic Salaries and Wages	15 648	18 512	20 991	21 264	24 250	24 250	30 739	32 696	34 771
Pension and UIF Contributions	1 848	1 879	2 171	2 340	2 741	2 741	3 688	3 924	4 175
Medical Aid Contributions	707	986	1 268	1 069	1 444	1 444	1 552	1 651	1 757
Overtime	1 856	2 387	2 178	1 720	1 512	1 512	1 242	1 322	1 405
Performance Bonus	1 120	1 167	1 472	1 840	2 862	2 862	2 402	2 555	2 717
Motor Vehicle Allowance	550	826	1 208	1 097	1 199	1 199	1 442	1 535	1 633
Cellphone Allowance	–	–	47	49	53	53	58	62	65
Housing Allowances	27	25	30	41	28	28	29	31	32
Other benefits and allowances	173	197	456	251	373	373	266	283	301
Payments in lieu of leave	533	233	–	–	–	–	–	–	–
Long service awards	1 125	(72)	–	–	–	–	–	–	–
Post-retirement benefit obligations	–	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff	23 586	26 140	29 821	29 670	34 463	34 463	41 417	44 057	46 856
% increase		10.8%	14.1%	(0.5%)	16.2%	–	20.2%	6.4%	6.4%
TOTAL SALARY, ALLOWANCES & BENEFITS	30 870	33 958	38 431	42 436	44 567	44 567	53 058	56 339	59 816
% increase		10.0%	13.2%	10.4%	5.0%	–	19.1%	6.2%	6.2%
TOTAL MANAGERS AND STAFF	26 650	28 116	32 434	35 555	37 526	37 526	45 665	48 577	51 665

Table 42 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Councillors							
Speaker	1	427 031	–	168 035			595 066
Chief Whip	–	–	–	–			–
Executive Mayor	1	293 584	–	123 552			417 136
Deputy Executive Mayor	1	234 867	–	103 980			338 847
Executive Committee	3	660 562	–	297 261			957 823
Total for all other councillors	21	3 408 240	–	1 675 600			5 083 840
Total Councillors	27	5 024 284	–	2 368 428			7 392 712
Senior Managers of the Municipality							
Municipal Manager	1	705 972	–	199 500	98 832		1 004 304
Chief Finance Officer	1	682 836	–	183 900	95 592		962 328
Corporate Services Manager	1	528 756	–	157 500	74 028		760 284
Technical Services Manager	1	528 756	–	157 500	74 028		760 284
Community Services Manager	1	528 756	–	157 500	74 028		760 284
Total Senior Managers of the Municipality	5	2 975 076	–	855 900	416 508		4 247 484
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	32	7 999 360	–	3 224 328	416 508		11 640 196

Table 43 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Councillors (Political Office Bearers plus Other Councillors)	27		27	27		27	27		27
Board Members of municipal entities									
Municipal employees									
Municipal Manager and Senior Managers	5	3		5	5		5	8	
Other Managers	2	1	1	6	4		6	6	
Professionals	*23*	*23*	–	*23*	*23*	–	*23*	*23*	
Finance	3	3		3	3		3	3	
Spatial/town planning									
Information Technology									
Roads									
Electricity									
Water									
Sanitation									
Refuse									
Other	*20*	20		20	20		20	20	
Technicians	95	*110*	–	*107*	*114*	–	*107*	*122*	
Finance	26	26		26	26		26	26	
Spatial/town planning									
Information Technology									
Roads	48	63		48	63		48	63	
Electricity									
Water									
Sanitation									
Refuse				12	4		12	12	
Other	21	21		21	21		21	21	
Clerks (Clerical and administrative)				77	47		77	60	
Service and sales workers									
Skilled agricultural and fishery workers									
Craft and related trades									
Plant and Machine Operators	28	24		28	24		28	24	
Elementary Occupations	74	74	50	58	49		58	49	
TOTAL PERSONNEL NUMBERS	254	235	78	331	266	27	331	292	27
% increase				30.3%	13.2%	(65.4%)	–	9.8%	
Total municipal employees headcount									
Finance personnel headcount	24	17	7	24	17	7	24	17	7
Human Resources personnel headcount	3	3	3	3	3	3	3	3	3

2.9 Monthly targets for revenue, expenditure and cash flow

Table 45 MBRR SA25 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source															
Property rates	–	–	2 340	2 340	2 340	2 340	2 340	2 340	2 340	2 340	2 340	2 340	23 404	24 785	26 148
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2 172	2 172	2 172	2 172	2 172	2 172	2 172	2 172	2 172	2 172	2 172	2 172	26 067	27 604	29 123
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	565	565	565	565	565	565	565	565	565	565	565	565	6 785	7 185	7 580
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	116	116	116	116	116	116	116	116	116	116	116	116	1 390	1 471	1 552
Interest earned - external investments	122	122	122	122	122	122	122	122	122	122	122	422	1 762	1 548	1 633
Interest earned - outstanding debtors	319	319	319	319	319	319	319	319	319	319	319	319	3 826	4 051	4 274
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	33	33	33	33	33	33	33	33	33	33	33	33	398	421	444
Licences and permits	203	203	203	203	203	203	203	203	203	203	203	203	2 436	2 580	2 722
Agency services	60	60	60	60	60	60	60	60	60	60	60	399	1 061	1 124	1 186
Transfers recognised - operational	35 634				25 661				21 560			–	82 855	100 462	102 027
Other revenue	68	68	68	68	68	68	68	68	68	68	68	68	819	867	915
Gains on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	39 293	3 659	5 999	5 999	31 660	5 999	5 999	5 999	27 559	5 999	5 999	6 637	150 801	172 099	177 604
Expenditure By Type															
Employee related costs	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	45 665	48 577	51 665
Remuneration of councillors	616	616	616	616	616	616	616	616	616	616	616	616	7 393	7 762	8 150
Debt impairment	121	121	121	121	121	121	121	121	121	121	121	121	1 454	1 540	1 625
Depreciation & asset impairment	338	338	338	338	338	338	338	338	338	338	338	338	4 060	4 299	4 536
Finance charges	39	39	39	39	39	39	39	39	39	39	39	538	970	571	604
Bulk purchases	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 941	23 299	24 673	26 030
Other materials	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contracted services	953	953	953	953	953	953	953	953	953	953	953	953	11 436	12 111	12 777
Transfers and grants	234	234	234	234	234	234	234	234	234	234	234	235	2 810	7 976	8 415
Other expenditure	3 965	3 965	3 965	3 965	3 965	3 965	3 965	3 965	3 965	3 965	3 965	2 765	46 382	62 882	63 794
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure	12 014	12 014	12 014	12 014	12 014	12 014	12 014	12 014	12 014	12 014	12 014	11 313	143 469	170 391	177 596
Surplus/(Deficit)	27 278	(8 356)	(6 015)	(6 015)	19 646	(6 015)	(6 015)	(6 015)	15 545	(6 015)	(6 015)	(4 676)	7 332	1 708	8
Transfers recognised - capital	3 232	3 232	3 232	3 232	3 232	3 232	3 232	3 232	3 232	3 232	3 232	3 233	38 789	43 089	44 203
Contributions recognised - capital												–	–	–	–
Contributed assets												–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	30 511	(5 123)	(2 783)	(2 783)	22 878	(2 783)	(2 783)	(2 783)	18 777	(2 783)	(2 783)	(1 443)	46 121	44 797	44 211
Taxation												–	–	–	–
Attributable to minorities												–	–	–	–
Share of surplus/ (deficit) of associate												–	–	–	–
Surplus/(Deficit)	30 511	(5 123)	(2 783)	(2 783)	22 878	(2 783)	(2 783)	(2 783)	18 777	(2 783)	(2 783)	(1 443)	46 121	44 797	44 211

Table 45 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Vote 1 - Governance and Administration	5 259	468	468	468	3 922	468	468	468	3 365	468	468	468	16 758	18 552	19 116
Vote 2 - Financial Services	7 297	2 426	2 426	2 426	5 938	2 426	2 426	2 426	5 371	2 426	2 426	2 426	40 440	43 239	45 266
Vote 3 - Corporate Services	3 389	96	96	96	2 470	96	96	96	2 087	96	96	96	8 814	10 929	11 234
Vote 4 - Community and Social Services	2 039	227	227	227	1 533	227	227	227	1 323	227	227	227	6 939	7 651	8 159
Vote 5 - Sports and Recreation	886	21	21	21	645	21	21	21	544	21	21	21	2 262	2 376	2 435
Vote 6 - Public Safety	1 857	121	121	121	1 373	121	121	121	1 171	121	121	121	5 491	6 109	6 323
Vote 7 - Planning and Development	14 489	168	168	168	10 493	168	168	168	8 827	168	168	168	35 320	38 902	40 294
Vote 8 - Roads Transport	3 014	203	203	203	2 229	203	203	203	1 903	203	203	203	8 974	11 292	10 606
Vote 9 - Environmental Protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 - Other	515	9	9	9	373	9	9	9	315	9	9	8	1 279	1 431	1 461
Vote 11 - Housing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 - Electricity Services	13 682	2 202	2 202	2 202	10 479	2 202	2 202	2 202	9 144	2 202	2 202	2 202	53 125	63 712	65 425
Vote 13 - Water Services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 - Waste Water Management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 - Waste Management	1 883	600	600	600	1 525	600	600	600	1 376	600	600	601	10 188	10 994	11 487
Total Revenue by Vote	54 310	6 542	6 542	6 542	40 979	6 542	6 542	6 542	35 425	6 542	6 542	6 541	189 590	215 188	221 807
Vote 1 - Governance and Administration	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 843	22 107	23 655	24 988
Vote 2 - Financial Services	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	22 479	23 634	24 987
Vote 3 - Corporate Services	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	15 194	18 083	19 128
Vote 4 - Community and Social Services	697	697	697	697	697	697	697	697	697	697	697	697	8 362	8 878	9 421
Vote 5 - Sports and Recreation	333	333	333	333	333	333	333	333	333	333	333	333	3 993	4 232	4 471
Vote 6 - Public Safety	668	668	668	668	668	668	668	668	668	668	668	668	8 011	8 515	9 042
Vote 7 - Planning and Development	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	12 932	19 800	20 958
Vote 8 - Roads Transport	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	12 970	16 231	15 166
Vote 9 - Environmental Protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 10 - Other	195	195	195	195	195	195	195	195	195	195	195	195	2 335	2 475	2 613
Vote 11 - Housing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 12 - Electricity Services	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 430	29 166	38 620	40 209
Vote 13 - Water Services	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 14 - Waste Water Management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vote 15 - Waste Management	493	493	493	493	493	493	493	493	493	493	493	493	5 919	6 268	6 613
Total Expenditure by Vote	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	143 469	170 391	177 596
Surplus/(Deficit) for the year	42 354	(5 414)	(5 414)	(5 414)	29 023	(5 414)	(5 414)	(5 414)	23 469	(5 414)	(5 414)	(5 415)	46 121	44 797	44 211

Table 46 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue - Standard															
Governance and administration	15 944	2 991	2 991	2 991	12 329	2 991	2 991	2 991	10 823	2 991	2 991	2 991	66 012	72 721	75 616
Executive and council	5 259	468	468	468	3 922	468	468	468	3 365	468	468	468	16 758	18 552	19 116
Budget and treasury office	7 297	2 426	2 426	2 426	5 938	2 426	2 426	2 426	5 371	2 426	2 426	2 426	40 440	43 239	45 266
Corporate services	3 389	96	96	96	2 470	96	96	96	2 087	96	96	96	8 814	10 929	11 234
Community and public safety	4 782	369	369	369	3 551	369	369	369	3 037	369	369	369	14 691	16 136	16 918
Community and social services	2 039	227	227	227	1 533	227	227	227	1 323	227	227	227	6 939	7 651	8 159
Sport and recreation	886	21	21	21	645	21	21	21	544	21	21	21	2 262	2 376	2 435
Public safety	1 857	121	121	121	1 373	121	121	121	1 171	121	121	121	5 491	6 109	6 323
Housing												–	–	–	–
Health												–	–	–	–
Economic and environmental services	17 503	371	371	371	12 722	371	371	371	10 730	371	371	371	44 294	50 194	50 900
Planning and development	14 489	168	168	168	10 493	168	168	168	8 827	168	168	168	35 320	38 902	40 294
Road transport	3 014	203	203	203	2 229	203	203	203	1 903	203	203	203	8 974	11 292	10 606
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	15 565	2 803	2 803	2 803	12 004	2 803	2 803	2 803	10 520	2 803	2 803	2 802	63 313	74 706	76 911
Electricity	13 682	2 202	2 202	2 202	10 479	2 202	2 202	2 202	9 144	2 202	2 202	2 202	53 125	63 712	65 425
Water	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management	1 883	600	600	600	1 525	600	600	600	1 376	600	600	601	10 188	10 994	11 487
Other	515	9	9	9	373	9	9	9	315	9	9	8	1 279	1 431	1 461
Total Revenue - Standard	54 310	6 542	6 542	6 542	40 979	6 542	6 542	6 542	35 425	6 542	6 542	6 541	189 590	215 188	221 807
Expenditure - Standard															
Governance and administration	4 982	4 982	4 982	4 982	4 982	4 982	4 982	4 982	4 982	4 982	4 982	4 982	59 780	65 372	69 103
Executive and council	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 842	1 843	22 107	23 655	24 988
Budget and treasury office	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	1 873	22 479	23 634	24 987
Corporate services	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	1 266	15 194	18 083	19 128
Community and public safety	1 697	1 697	1 697	1 697	1 697	1 697	1 697	1 697	1 697	1 697	1 697	1 698	20 367	21 625	22 934
Community and social services	697	697	697	697	697	697	697	697	697	697	697	697	8 362	8 878	9 421
Sport and recreation	333	333	333	333	333	333	333	333	333	333	333	333	3 993	4 232	4 471
Public safety	668	668	668	668	668	668	668	668	668	668	668	668	8 011	8 515	9 042
Housing	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Economic and environmental services	2 159	2 159	2 159	2 159	2 159	2 159	2 159	2 159	2 159	2 159	2 159	2 159	25 902	36 031	36 124
Planning and development	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	1 078	12 932	19 800	20 958
Road transport	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	1 081	12 970	16 231	15 166
Environmental protection	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Trading services	2 924	2 924	2 924	2 924	2 924	2 924	2 924	2 924	2 924	2 924	2 924	2 923	35 084	44 888	46 822
Electricity	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 431	2 430	29 166	38 620	40 209
Water	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Waste management	493	493	493	493	493	493	493	493	493	493	493	493	5 919	6 268	6 613
Other	195	195	195	195	195	195	195	195	195	195	195	195	2 335	2 475	2 613
Total Expenditure - Standard	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	11 956	143 469	170 391	177 596
												–	–	–	–
Surplus/(Deficit)	42 354	(5 414)	(5 414)	(5 414)	29 023	(5 414)	(5 414)	(5 414)	23 469	(5 414)	(5 414)	(5 415)	46 121	44 797	44 211

Table 47 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Multi-year expenditure *to be appropriated*															
Vote 1 - Governance and Administration												–	–	–	–
Vote 2 - Financial Services												–	–	–	–
Vote 3 - Corporate Services												–	–	–	–
Vote 4 - Community and Social Services												–	–	–	–
Vote 5 - Sports and Recreation												–	–	–	–
Vote 6 - Public Safety												–	–	–	–
Vote 7 - Planning and Development	2 232	2 232	2 232	2 232	2 232	1 232	2 732	2 732	2 232	2 232	2 232	2 233	26 789	28 089	29 203
Vote 8 - Roads Transport												–	–	–	–
Vote 9 - Environmental Protection												–	–	–	–
Vote 10 - Other												–	–	–	–
Vote 11 - Housing												–	–	–	–
Vote 12 - Electricity Services	1 000	1 000	1 000	1 000	1 000		1 250	1 000	1 750	1 000	1 000	1 000	12 000	15 000	15 000
Vote 13 - Water Services												–	–	–	–
Vote 14 - Waste Water Management												–	–	–	–
Vote 15 - Waste Management												–	–	–	–
Capital multi-year expenditure sub-total	3 232	3 232	3 232	3 232	3 232	1 232	3 982	3 732	3 982	3 232	3 232	3 233	38 789	43 089	44 203
Single-year expenditure *to be appropriated*															
Vote 1 - Governance and Administration	140		700									–	840	–	–
Vote 2 - Financial Services		25										–	25	–	–
Vote 3 - Corporate Services	60		6 000		1 200		800					–	8 060	–	–
Vote 4 - Community and Social Services	11		63					8				–	81	8	8
Vote 5 - Sports and Recreation			1 000	76						700		–	1 776	–	–
Vote 6 - Public Safety		150							550			–	700	450	–
Vote 7 - Planning and Development						765						–	765	–	–
Vote 8 - Roads Transport			1 500				1 200					–	2 700	–	2 550
Vote 9 - Environmental Protection												–	–	–	–
Vote 10 - Other												–	–	–	–
Vote 11 - Housing												–	–	–	–
Vote 12 - Electricity Services		450		1 200		950						–	2 600	–	–
Vote 13 - Water Services												–	–	–	–
Vote 14 - Waste Water Management												–	–	–	–
Vote 15 - Waste Management												–	–	1 700	–
Capital single-year expenditure sub-total	210	625	9 263	1 276	1 200	1 715	2 000	8	550	700	–	–	17 547	2 158	2 558
Total Capital Expenditure	3 443	3 857	12 495	4 509	4 432	2 947	5 982	3 740	4 532	3 932	3 232	3 233	56 336	45 247	46 761

Table 48 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2014/15												Medium Term Revenue and Expenditure		
R thousand	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital Expenditure - Standard															
Governance and administration	200	25	6 700	–	1 200	–	800	–	–	–	–	–	8 925	–	–
Executive and council			700									–	700	–	–
Budget and treasury office		25										–	25	–	–
Corporate services	200		6 000		1 200		800					–	8 200	–	–
Community and public safety	11	150	63	76	–	–	–	8	550	700	–	1 000	2 557	8	8
Community and social services	11		63					8				–	81	8	8
Sport and recreation				76						700		1 000	1 776	–	–
Public safety		150							550			–	700	–	–
Housing												–	–	–	–
Health												–	–	–	–
Economic and environmental services	2 232	2 232	3 732	2 232	2 232	1 997	3 932	2 732	2 232	2 232	2 232	2 233	30 254	28 539	31 753
Planning and development	2 232	2 232	2 232	2 232	2 232	1 997	2 732	2 732	2 232	2 232	2 232	2 233	27 554	28 539	29 203
Road transport			1 500				1 200					–	2 700	–	2 550
Environmental protection												–	–	–	–
Trading services	1 000	1 450	1 000	2 200	1 000	950	1 250	1 000	1 750	1 000	1 000	1 000	14 600	16 700	15 000
Electricity	1 000	1 450	1 000	2 200	1 000	950	1 250	1 000	1 750	1 000	1 000	1 000	14 600	15 000	15 000
Water												–	–	–	–
Waste water management												–	–	–	–
Waste management												–	–	1 700	–
Other												–	–	–	–
Total Capital Expenditure - Standard	3 443	3 857	11 495	4 509	4 432	2 947	5 982	3 740	4 532	3 932	3 232	4 233	56 336	45 247	46 761
Funded by:															
National Government	3 232	3 232	3 232	3 232	3 232	1 232	3 982	3 732	3 982	3 232	3 232	3 233	38 789	43 089	44 203
Provincial Government												–	–	–	–
District Municipality												–	–	–	–
Other transfers and grants												–	–	–	–
Transfers recognised - capital	3 232	3 232	3 232	3 232	3 232	1 232	3 982	3 732	3 982	3 232	3 232	3 233	38 789	43 089	44 203
Public contributions & donations												–	–	–	–
Borrowing			7 550			765	1 200			700		–	10 215	–	–
Internally generated funds	210	625	1 713	1 276	1 200	950	800	8	550			–	7 332	2 158	2 558
Total Capital Funding	3 443	3 857	12 495	4 509	4 432	2 947	5 982	3 740	4 532	3 932	3 232	3 233	56 336	45 247	46 761

Table 49 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source													1		
Property rates	–	–	1 802	1 802	1 802	1 802	1 802	1 802	1 802	1 802	1 802	1 802	18 021	19 084	20 134
Property rates - penalties & collection charges	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	3 251	3 251	3 251	3 251	3 251	3 251	3 251	3 251	3 251	3 251	3 251	3 251	39 007	41 171	43 443
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	254	254	254	254	254	254	254	254	254	254	254	254	3 053	3 233	3 411
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	116	116	116	116	116	116	116	116	116	116	116	116	1 390	1 471	1 552
Interest earned - external investments	147	147	147	147	147	147	147	147	147	147	147	147	1 762	1 548	1 633
Interest earned - outstanding debtors	319	318	318	318	318	318	318	318	318	318	318	326	3 826	4 051	4 274
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines	33	33	33	33	33	33	33	33	33	33	33	33	398	421	444
Licences and permits	203	203	203	203	203	203	203	203	203	203	203	203	2 436	2 580	2 722
Agency services	88	88	88	88	88	88	88	88	88	88	88	88	1 061	1 124	1 186
Transfer receipts - operational	35 634	–	–	–	25 661	–	–	–	21 560	–	–	–	82 855	100 462	102 027
Other revenue	68	68	68	68	68	68	68	68	68	68	68	68	819	867	915
Cash Receipts by Source	40 113	4 478	6 281	6 281	31 942	6 281	6 281	6 281	27 841	6 281	6 281	6 288	154 626	176 013	181 741
Other Cash Flows by Source															
Transfer receipts - capital	12 930	–	–	–	12 930	–	–	–	12 930	–	–	–	38 789	43 089	44 203
Contributions recognised - capital & Contributed as	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds on disposal of PPE	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Short term loans	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	10 215	–	–	–	–	–	–	–	–	–	–	–	10 215	450	2 550
Increase (decrease) in consumer deposits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Receipts by Source	63 258	4 478	6 281	6 281	44 871	6 281	6 281	6 281	40 770	6 281	6 281	6 288	203 630	219 552	228 494
Cash Payments by Type															
Employee related costs	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 805	3 809	45 665	48 577	51 665
Remuneration of councillors	616	616	616	616	616	616	616	616	616	616	616	616	7 393	7 762	8 150
Finance charges	81	81	81	81	81	81	81	81	81	81	81	81	970	571	604
Bulk purchases - Electricity	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	1 942	23 299	24 673	26 030
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contracted services	953	953	953	953	953	953	953	953	953	953	953	953	11 436	12 111	12 777
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	234	234	234	234	234	234	234	234	234	234	234	234	2 810	7 976	8 415
Other expenditure	4 962	4 962	4 962	4 962	4 962	4 962	4 962	4 962	4 962	4 962	4 962	4 962	59 548	68 908	70 060
Cash Payments by Type	12 593	12 593	12 593	12 593	12 593	12 593	12 593	12 593	12 593	12 593	12 593	12 597	151 120	170 578	177 701
Other Cash Flows/Payments by Type															
Capital assets	3 443	3 857	6 495	4 509	4 432	2 947	5 982	3 740	4 532	3 932	3 232	9 233	56 336	45 247	46 761
Repayment of borrowing	156	156	156	156	156	156	156	156	156	156	156	303	2 022	2 545	2 723
Other Cash Flows/Payments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Cash Payments by Type	16 192	16 607	19 244	17 258	17 182	15 697	18 732	16 490	17 282	16 682	15 982	22 133	209 478	218 369	227 184
NET INCREASE/(DECREASE) IN CASH HELD	47 066	(12 128)	(12 964)	(10 977)	27 690	(9 416)	(12 451)	(10 209)	23 489	(10 401)	(9 701)	(15 844)	(5 848)	1 183	1 309
Cash/cash equivalents at the month/year begin:	18 073	65 139	53 011	40 047	29 070	56 760	47 344	34 893	24 683	48 172	37 771	28 070	18 073	12 225	13 408
Cash/cash equivalents at the month/year end:	65 139	53 011	40 047	29 070	56 760	47 344	34 893	24 683	48 172	37 771	28 070	12 225	12 225	13 408	14 718

2.10 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 50 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure	26 663	32 091	17 410	29 504	40 565	40 565	22 018	24 000	33 203
Infrastructure - Road transport	16 913	16 885	14 277	15 504	21 504	21 504	10 018	9 000	21 203
Roads, Pavements & Bridges	16 913	16 885	14 277	15 504	21 504	21 504	10 018	9 000	21 203
Storm water									
Infrastructure - Electricity	9 750	15 206	3 133	14 000	19 061	19 061	12 000	15 000	12 000
Generation	9 750	15 206	3 133	14 000	–	–			
Transmission & Reticulation					14 000	14 000	12 000	15 000	12 000
Street Lighting					5 061	5 061			
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Waste Management									
Transportation									
Community	–	–	–	6 652	9 852	9 852	10 311	9 918	–
Parks & gardens				3 553	–	–			
Sportsfields & stadia					4 753	4 753	4 275	4 118	
Swimming pools				1 000	–	–			
Community halls				–	–	–	5 363	3 400	
Libraries				1 899	–	–	40		
Recreational facilities				200	1 899	1 899	633	2 400	
Fire, safety & emergency					200	200			
Security and policing					–	–			
Buses					–	–			
Clinics					–	–			
Museums & Art Galleries					3 000	3 000			
Cemeteries					–	–			
Social rental housing					–	–			
Other					–	–			
Other assets	5 030	5 986	1 822	15 544	9 391	9 391	15 762	2 158	2 558
General vehicles	500		–	3 103	2 451	2 451	1 965	450	1 200
Specialised vehicles	–	–	–	2 010	2 010	2 010	550	–	–
Plant & equipment	3 740		144	3 424	2 224	2 224	4 188	1 700	1 350
Computers - hardware/equipment	105		257		–	–	75	–	
Furniture and other office equipment	535	2 045	205	7	7	7	134	8	8
Abattoirs									
Markets			1 191		2 700	2 700			
Civic Land and Buildings			15	7 000			8 700		
Other Buildings							150		
Other Land			9						
Surplus Assets - (Investment or Inventory)									
Other	150	3 941							
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming									
Other *(list sub-class)*									
Total Capital Expenditure on new assets	31 693	38 076	19 232	51 699	59 808	59 808	48 091	36 076	35 761

Specialised vehicles	–	–	–	2 010	2 010	2 010	550	–	–
Refuse				1 460	1 460	1 460	–	–	–
Fire				550	550	550	550	–	–
Conservancy					–	–	–	–	–
Ambulances					–	–	–	–	–

Table 51 MBRR SA 34b - Capital expenditure on renewal of existing assets by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure on renewal of existing assets by Asset Class/Sub-class									
Infrastructure	–	–	–	1 545	1 545	1 545	7 500	9 171	11 000
Infrastructure - Road transport	–	–	–	1 545	1 545	1 545	7 500	9 171	8 000
Roads, Pavements & Bridges				1 545	1 545	1 545	7 500	9 171	8 000
Storm water									
Infrastructure - Electricity	–	–	–	–	–	–	–	–	3 000
Generation									
Transmission & Reticulation									3 000
Street Lighting									
Other									
Community	–	–	–	–	–	–	–	–	–
Parks & gardens									
Sportsfields & stadia									
Swimming pools									
Community halls									
Libraries									
Recreational facilities									
Fire, safety & emergency									
Security and policing									
Museums & Art Galleries									
Cemeteries									
Social rental housing									
Other									
Other assets	–	–	–	2 483	2 483	2 483	745	–	–
General vehicles				980	980	980			
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment				100	100	100	700		
Computers - hardware/equipment				323	323	323	45		
Furniture and other office equipment				1 080	1 080	1 080			
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings									
Other Land									
Surplus Assets - (Investment or Inventory)									
Other									
Intangibles	–	–	–	1 900	1 900	1 900	–	–	–
Computers - software & programming									
Financial System				1 900	1 900	1 900			
Total Capital Expenditure on renewal of existing ass	–	–	–	5 928	5 928	5 928	8 245	9 171	11 000
Specialised vehicles	–	–	–	–	–	–	–	–	–
Refuse									
Fire									
Conservancy									
Ambulances									
Renewal of Existing Assets as % of total capex	*0.0%*	*0.0%*	*0.0%*	*10.3%*	*9.0%*	*9.0%*	*14.6%*	*20.3%*	*23.5%*
Renewal of Existing Assets as % of deprecn"	*0.0%*	*0.0%*	*0.0%*	*155.1%*	*155.1%*	*155.1%*	*203.1%*	*213.3%*	*242.5%*

Table 52 MBRR SA 34c – Repairs and maintenance by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	1 947	3 615	7 372	9 206	11 199	11 199	10 182	15 257	13 579
Infrastructure - Road transport	1 752	2 221	6 303	6 735	8 169	8 169	8 075	10 236	8 820
Roads, Pavements & Bridges	1 608	2 233	6 246	6 657	8 092	8 092	7 993	10 149	8 728
Storm water	145	(12)	57	77	77	77	82	87	92
Infrastructure - Electricity	194	1 394	1 069	2 471	3 030	3 030	2 107	5 021	4 759
Generation				491	491	491	521	552	582
Transmission & Reticulation	116	1 397	1 035	1 943	2 502	2 502	1 479	4 355	4 056
Street Lighting	78	(3)	35	38	38	38	108	114	120
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Waste Management									
Transportation									
Community	–	–	–	32	32	32	–	–	–
Parks & gardens									
Sportsfields & stadia									
Swimming pools									
Community halls									
Libraries									
Recreational facilities									
Fire, safety & emergency									
Security and policing									
Museums & Art Galleries									
Cemeteries				30	30	30	–	–	–
Social rental housing					–	–	–	–	–
Other				2	2	2	–	–	–
Other assets	1 595	1 137	1 010	1 595	2 340	2 340	2 358	4 233	4 466
General vehicles	1 088	583	430	214	1 127	1 127	1 192	1 262	1 331
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	91	30	63	178	178	178	44	47	49
Computers - hardware/equipment	22	50	15	143	143	143	50	53	56
Furniture and other office equipment		–		2	2	2	5	0	0
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings	369	468	502	1 003	835	835	1 000	2 800	2 954
Other Land	26	6	1	54	54	54	67	71	75
Surplus Assets - (Investment or Inventory)									
Other									
Intangibles	–	–	–	–	–	–	–	–	–
Computers - software & programming									
Other *(list sub-class)*									
Total Repairs and Maintenance Expenditure	3 541	4 751	8 382	10 833	13 571	13 571	12 540	19 490	18 045
Specialised vehicles	–	–	–	–	–	–	–	–	–
Refuse									
Fire									
Conservancy									
Ambulances									
R&M as a % of PPE	*5.2%*	*4.6%*	*6.7%*	*5.6%*	*7.3%*	*7.3%*	*5.3%*	*7.0%*	*5.6%*
R&M as % Operating Expenditure	*3.8%*	*4.4%*	*8.1%*	*8.5%*	*10.5%*	*10.5%*	*8.7%*	*11.4%*	*10.2%*

Table 53 MBRR SA 34d - Depreciation by asset class

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Depreciation by Asset Class/Sub-class									
Infrastructure	1 290	1 557	–	2 486	2 486	2 486	2 840	3 009	3 175
Infrastructure - Road transport	1 290	1 405	–	2 031	2 031	2 031	2 320	2 458	2 593
Roads, Pavements & Bridges	1 290	1 405		2 031	2 031	2 031	2 320	2 458	2 593
Storm water									
Infrastructure - Electricity	–	152	–	455	455	455	520	551	582
Generation									
Transmission & Reticulation		152		455	455	455	520	551	582
Street Lighting									
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Waste Management									
Transportation									
Other									
Community	–	–	–	115	115	115	–	–	–
Parks & gardens									
Sportsfields & stadia				63	63	63			
Swimming pools									
Community halls				18	18	18			
Libraries									
Recreational facilities				34	34	34			
Fire, safety & emergency									
Security and policing									
Museums & Art Galleries									
Cemeteries									
Social rental housing									
Other									
Heritage assets	–	–	–	1	1	1	–	–	–
Buildings				1	1	1	–	–	–
Other									
Other assets	1 140	1 315	–	935	935	935	1 201	1 272	1 343
General vehicles	106	150		136	136	136	155	164	173
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	198	310		168	168	168	192	204	215
Computers - hardware/equipment	108	118		36	36	36	42	44	46
Furniture and other office equipment	292	297		65	65	65	74	79	83
Abattoirs									
Markets									
Civic Land and Buildings	437	440		530	530	530	607	643	678
Other Buildings									
Other Land									
Surplus Assets - (Investment or Inventory)									
Other							131	139	146
Intangibles	25	42	–	285	285	285	18	18	18
Computers - software & programming	25	42		285	285	285	18	18	18
Other *(list sub-class)*									
Total Depreciation	2 456	2 914	–	3 823	3 823	3 823	4 060	4 299	4 536
Specialised vehicles	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–
Fire	–	–	–	–	–	–	–	–	–
Conservancy	–	–	–	–	–	–	–	–	–
Ambulances	–	–	–	–	–	–	–	–	–

Table 54 MBRR SA 35 – Future Financial Implications of the capital budget

Vote Description	2014/15 Medium Term Revenue &			Forecasts			
R thousand	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Present value
Capital expenditure							
Vote 1 - Governance and Administration	840	–	–	–	–	–	
Vote 2 - Financial Services	25	–	–	450	100	375	
Vote 3 - Corporate Services	8 060	–	–	–	–	–	
Vote 4 - Community and Social Services	81	8	8	–	–	–	
Vote 5 - Sports and Recreation	1 776	–	–	–	–	–	
Vote 6 - Public Safety	700	450	–	–	–	–	
Vote 7 - Planning and Development	27 554	28 089	29 203	30 809	32 504	34 291	
Vote 8 - Roads Transport	2 700	–	2 550	–	1 500	–	
Vote 9 - Environmental Protection	–	–	–	–	–	–	
Vote 10 - Other	–	–	–	–	–	–	
Vote 11 - Housing	–	–	–	–	–	–	
Vote 12 - Electricity Services	14 600	15 000	15 000	9 000	7 000	–	
Vote 13 - Water Services	–	–	–	–	–	–	
Vote 14 - Waste Water Management	–	–	–	–	–	–	
Vote 15 - Waste Management	–	1 700	–	–	–	–	
	–	–	–	–	–	–	
Total Capital Expenditure	56 336	45 247	46 761	40 259	41 104	34 666	–
Future operational costs by vote							
Vote 1 - Governance and Administration							
Vote 2 - Financial Services							
Vote 3 - Corporate Services							
Vote 4 - Community and Social Services							
Vote 5 - Sports and Recreation							
Vote 6 - Public Safety							
Vote 7 - Planning and Development	8 075	10 236	8 820	9 305	9 817	10 327	
Vote 8 - Roads Transport							
Vote 9 - Environmental Protection							
Vote 10 - Other							
Vote 11 - Housing							
Vote 12 - Electricity Services	2 107	5 021	4 759	5 021	5 297	5 588	
Vote 13 - Water Services							
Vote 14 - Waste Water Management							
Vote 15 - Waste Management							
	–	–	–	–	–	–	
Total future operational costs	10 182	15 257	13 579	14 326	15 114	15 915	–
Future revenue by source							
Property rates	–	–	–	–	–	–	
Property rates - penalties & collection charges	–	–	–	–	–	–	
Service charges - electricity revenue	–	–	–	–	–	–	
Service charges - water revenue	–	–	–	–	–	–	
Service charges - sanitation revenue	–	–	–	–	–	–	
Service charges - refuse revenue	–	–	–	–	–	–	
Service charges - other	–	–	–	–	–	–	
Rental of facilities and equipment	–	–	–	–	–	–	
Interest earned - external investments	–	–	–	–	–	–	
Interest earned - outstanding debtors	–	–	–	–	–	–	
Dividends received	–	–	–	–	–	–	
Fines	–	–	–	–	–	–	
Licences and permits	–	–	–	–	–	–	
Agency services	–	–	–	–	–	–	
Transfers recognised - operational	–	–	–	–	–	–	
Other revenue	–	–	–	–	–	–	
Total future revenue	–	–	–	–	–	–	–
Net Financial Implications	66 518	60 504	60 340	54 585	56 218	50 581	–

Table 55 MBRR SA 36 – Detailed capital budget per municipal vote

Municipal Vote/Capital project	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
R thousand			2	6	3	3		Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Corporate Services	Computers			Yes	*Other Assets*	*Computers - hardware/equipment*		257						Renewal
Corporate Services	Furniture			Yes	*Other Assets*	*Furniture and other office equipment*		205						New
Roads	Various tools			Yes	*Other Assets*	*Plant & equipment*		144						Renewal
Traffic	Motorcyle track			Yes	*Infrastructure*	*Roads, Pavements & Bridges*		9						New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*		3 133						New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*		15 483						New
Properties	Council Chamber			Yes	*Other Assets*	*Buildings*			1 000					New
Corporate Services	Computers			Yes	*Other Assets*	*Computers - hardware/equipment*			306					New
Financial Services	Financial System			Yes	*Other Assets*	*Computers - hardware/equipment*			1 800					New
Financial Services	Motor vehicles			Yes	*Other Assets*	*Transportation*			2 580					New
Financial Services	Furniture			Yes	*Other Assets*	*Furniture and other office equipment*			14					New
Community Services	Fridges			Yes	*Other Assets*	*Plant & equipment*			14					New
Library Servcies	Library books			Yes	*Other Assets*	*Other*			40					New
Traffic	Firearms and Safe			Yes	*Other Assets*	*Plant & equipment*			200					New
Sports	Stadium			Yes	*Other Assets*	*Sportsfields & stadia*			1 200				2	New
Roads	Tipper truck			Yes	*Other Assets*	*Transportation*			765					New
Electricity	Meters			Yes	*Other Assets*	*Transmission & Reticulation*			70					New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*			1 200				11	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*			3 000				11	New
Waste Management	Compactor Truck			Yes	*Other Assets*	*Specialised vehicles - Refuse*			1 460					New
Waste Management	Refuse drums			Yes	*Other Assets*	*Plant & equipment*			205					New
Technical Services	Flea Market			Yes	*Other Assets*	*Markets*			2 700				11	New
Technical Services	Sub-taxi rank			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			6 000				11	New
Technical Services	Cultural village			Yes	*Other Assets*	*Recreational facilities*			3 000					New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			4 000				2	New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			1 500				11	New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			4 500				11	New
Community Services	Construction of creches			Yes	*Community*	*Recreational facilities*			633				4	New
Community Services	Construction of creches			Yes	*Community*	*Recreational facilities*			633				5	New
Community Services	Construction of creches			Yes	*Community*	*Recreational facilities*			633				11	New
Community Services	Construction of sportsfield			Yes	*Community*	*Sportsfields & stadia*			1 126				13	New
Community Services	Construction of sportsfield			Yes	*Community*	*Sportsfields & stadia*			1 126				5	New
Community Services	Construction of sportsfield			Yes	*Community*	*Sportsfields & stadia*			1 300				11	New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			3 525				12	New
Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*			3 525				13	New
Electricity	Installation of high mast			yes	*Infrastructure*	*Street Lighting*			3 681				2	New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*			6 622				5	New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*			4 007				14	New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*			3 371				11	New

Table 55 MBRR SA 36 – Detailed capital budget per municipal vote (Continued)

Municipal Vote/Capital project	Program/Project description	Project number	IDP Goal code	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
R thousand			2	6	3	3		Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Transport and Roads	Ncotshane Roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*				2 510			10	New
Transport and Roads	Ncotshane Roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*				7 500			2	Renewal
Transport and Roads	Upgrading of roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*				3 709			11	New
Transport and Roads	Upgrading of roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*				3 709			8	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*				1 748			9	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*				1 748			12	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*				1 748			13	New
Community Assets	Construction of creche			Yes	*Community*	*Recreational facilities*				752			7	New
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*				1 122			7	New
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*				1 122			14	New
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*				1 122			3	New
Electricity	Installation of electricity infrastrucutre			Yes	*Other Assets*	*Transmission & Reticulation*				3 000			5	New
Electricity	Installation of electricity infrastrucutre			Yes	*Other Assets*	*Transmission & Reticulation*				9 000			1	New
Transport and Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*					4 500		1	New
Transport and Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*					4 500		4	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*					1 700		11	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*					1 700		14	New
Transport and Roads	Upgrading of roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*					4 000		2	Renewal
Transport and Roads	Upgrading of roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*					4 000		10	Renewal
Community Assets	Construction of ECD centres in uPhongolo area			Yes	*Community*	*Recreational facilities*					600		3	New
Community Assets	Construction of ECD centres in uPhongolo area			Yes	*Community*	*Recreational facilities*					600		9	New
Community Assets	Construction of ECD centres in uPhongolo area			Yes	*Community*	*Recreational facilities*					600		10	New
Community Assets	Construction of ECD centres in uPhongolo area			Yes	*Community*	*Recreational facilities*					600		13	New
Transport and Roads	Upgrading of roads			Yes	*Community*	*Roads, Pavements & Bridges*					1 171		14	Renewal
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*					1 373		8	New
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*					1 373		9	New
Community Assets	Upgrading of sport facilities			Yes	*Community*	*Sportsfields & stadia*					1 373		12	New
Electricity	Installation of electricity infrastrucutre			Yes	*Other Assets*	*Transmission & Reticulation*					15 000		1	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*						2 500	4	New
Community Assets	Construction of community hall			Yes	*Community*	*Community halls*						2 500	6	New
Transport and Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*						4 700	14	New
Transport and Roads	Construction of access road			Yes	*Infrastructure*	*Roads, Pavements & Bridges*						4 700	3	New
Transport and Roads	Upgrading of roads			Yes	*Infrastructure*	*Roads, Pavements & Bridges*						8 000	11	New
Community Assets	Construction of creche			Yes	*Community*	*Recreational facilities*						800	13	New
Community Assets	Construction of creche			Yes	*Community*	*Recreational facilities*						800	9	New
Community Assets	Construction of multi-purpose centre			Yes	*Community*	*Community halls*						5 203	11	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						1 000	5	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						1 000	7	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						1 000	9	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						1 000	11	New

Table 55 MBRR SA36: Detailed capital budget per municipal vote (continued)

Municipal Vote/Capital project R thousand	Program/Project description	Project number	IDP Goal code 2	Individually Approved (Yes/No) 6	Asset Class 3	Asset Sub-Class 3	Total Project Estimate	Prior year outcomes		2014/15 Medium Term Revenue & Expenditure Framework			Project information	
								Audited Outcome 2012/13	Current Year 2013/14 Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	Ward location	New or renewal
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						1 000	13	New
Electricity	Installation of high masts			Yes	*Other Assets*	*Street Lighting*						3 000		New
Electricity	Installation of electricity infrastrucutre			Yes	*Infrastructure*	*Transmission & Reticulation*						7 000		New
Municipal Manager	Furniture			Yes	*Other Assets*	*Furniture and other office equipment*				86				New
Municipal Manager	Computer - Laptop			Yes	*Other Assets*	*Computers - hardware/equipment*				54				New
Executive Council	Furniture - Council Chamber			Yes	*Other Assets*	*Furniture and other office equipment*				700				New
Corporate Services	Computer - Laptops			Yes	*Other Assets*	*Computers - hardware/equipment*				45				New
Corporate Services	Furniture			Yes	*Other Assets*	*Furniture and other office equipment*				27				New
Financial Services	Desks and chairs			Yes	*Other Assets*	*Furniture and other office equipment*				76				New
Property Services	Fencing of office buildings			Yes	*Other Assets*	*Buildings*				1 200				New
Property Services	Community Hall			Yes	*Infrastructure*	*Community halls*				1 000				New
Property Services	Shelters for vehicles			Yes	*Infrastructure*	*Other*				800				New
Property Services	Acquisition of Transnet building			Yes	*Infrastructure*	*Buildings*				3 000				New
Property Services	Refurbishment of office buildings			Yes	*Infrastructure*	*Buildings*				2 000				New
Community Services	Desks and chairs			Yes	*Other*	*Furniture and other office equipment*				17	8	8		New
Community Services	Water Dispenser			Yes	*Other*	*Plant & equipment*				2				New
Disaster	Parkhome			Yes	*Other Assets*	*Other*				150				New
Disaster	Fire response vehicle			Yes	*Other Assets*	*Specialised vehicles - Fire*				550				New
Parks and Gardens	Various tools			Yes	*Other Assets*	*Plant & equipment*				776				New
Electricity	Installation of flood lights - Ncotshane			Yes	*Infrastructure*	*Street Lighting*				1 000				New
Roads	Pothole Equipment			Yes	*Other Assets*	*Plant & equipment*				1 500				New
Roads	Acquisition of lowbed truck			Yes	*Other Assets*	*Transportation*				1 200		1 200		New
Roads	Acquisition of Grader			Yes	*Other Assets*	*Plant & equipment*						1 350		New
Roads	Acquisition of tipper truck			Yes	*Other Assets*	*Transportation*				765				New
Electricity	Overhead streetlights			Yes	*Infrastructure*	*Street Lighting*				700				New
Electricity	Ringfeeder			Yes	*Infrastructure*	*Transmission & Reticulation*				1 200				New
Electricity	Compressor			Yes	*Other Assets*	*Plant & equipment*				250				New
Electricity	Generator			Yes	*Other Assets*	*Plant & equipment*				450				New
Waste Management	Skips			Yes	*Other Assets*	*Plant & equipment*					1 700			New
Techncal	Bakkie			yes	*Other Assets*	*Transportation*					450			
Total Capital expenditure								19 232	65 736	56 336	45 247	46 761		

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

 Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

 The Municipality is participating in the Municipal Financial Management Internship programme and has employed nine interns undergoing training in various divisions of the Financial Services Department. The first four have finished the first two years of training and are currently working to obtain further experience in their respective departments. Since the introduction of the Internship programme the Municipality has successfully employed and trained 3 interns through this programme.

3. Budget and Treasury Office

 The Budget and Treasury Office has been established in accordance with the MFMA. The municipality is in the process of filling all critical vacant posts within the finance department.

4. Audit Committee

 An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

 The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 and is directly aligned and informed by the 2014/15 MTREF.

6. Annual Report

 Annual report is compiled in terms of the MFMA and National Treasury requirements.

2.12 Other supporting documents

Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
REVENUE ITEMS:										
Property rates										
Total Property Rates	10 255	10 952	14 051	15 745	18 882	18 882	18 882	24 459	25 902	27 326
less Revenue Foregone				1 908	1 086	1 086	1 086	1 055	1 117	1 179
Net Property Rates	10 255	10 952	14 051	13 837	17 797	17 797	17 797	23 404	24 785	26 148
Service charges - electricity revenue										
Total Service charges - electricity revenue	14 689	18 309	23 366	23 868	24 273	24 273	24 273	26 067	27 604	29 123
less Revenue Foregone										
Net Service charges - electricity revenue	14 689	18 309	23 366	23 868	24 273	24 273	24 273	26 067	27 604	29 123
Service charges - refuse revenue										
Total refuse removal revenue	4 755	4 925	5 419	5 617	6 389	6 389	6 389	6 785	7 185	7 580
Total landfill revenue										
less Revenue Foregone										
Net Service charges - refuse revenue	4 755	4 925	5 419	5 617	6 389	6 389	6 389	6 785	7 185	7 580
Other Revenue by source										
Sundry Income	308	545	1 251	1 339	771	771	771	819	867	915
Total 'Other' Revenue	308	545	1 251	1 339	771	771	771	819	867	915
EXPENDITURE ITEMS:										
Employee related costs										
Basic Salaries and Wages	17 419	19 256	23 200	25 904	26 320	26 320	26 320	33 714	35 862	38 139
Pension and UIF Contributions	1 681	1 167	2 176	2 349	2 741	2 741	2 741	3 696	3 932	4 184
Medical Aid Contributions	744	986	1 268	1 069	1 444	1 444	1 444	1 552	1 651	1 757
Overtime	1 856	1 694	2 327	1 720	1 512	1 512	1 512	1 242	1 322	1 405
Performance Bonus	1 351	1 167	1 472	2 251	2 942	2 942	2 942	2 818	2 998	3 189
Motor Vehicle Allowance	989	1 939	1 443	1 611	1 199	1 199	1 199	2 222	2 364	2 516
Cellphone Allowance	50	25	64	103	53	53	53	126	134	143
Housing Allowances	27	25	30	228	28	28	28	29	31	32
Other benefits and allowances	874	474	1 795	322	1 287	1 287	1 287	266	283	301
Payments in lieu of leave	533	363	–	–	–	–	–	–	–	–
Long service awards	1 125	2 387	–	–	–	–	–	–	–	–
Post-retirement benefit obligations		(72)	–	–	–	–	–	–	–	–
sub-total	26 649	29 409	33 774	35 555	37 526	37 526	37 526	45 665	48 577	51 665
Less: Employees costs capitalised to PPE										
Total Employee related costs	26 649	29 409	33 774	35 555	37 526	37 526	37 526	45 665	48 577	51 665
Contributions recognised - capital										
List contributions by contract										
Total Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–

Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Depreciation & asset impairment										
Depreciation of Property, Plant & Equipment	2 718	2 974	3 975	3 823	3 823	3 823	3 823	4 060	4 299	4 536
Lease amortisation	–	–	–	–	–	–	–	–	–	–
Capital asset impairment	–	–	397	–	–	–	–	–	–	–
Depreciation resulting from revaluation of PPE	–	–	–	–	–	–	–	–	–	–
Total Depreciation & asset impairment	2 718	2 974	4 372	3 823	3 823	3 823	3 823	4 060	4 299	4 536
Bulk purchases										
Electricity Bulk Purchases	12 796	15 617	19 039	20 925	21 561	21 561	21 561	23 299	24 673	26 030
Water Bulk Purchases	–	–	–	–	–	–	–	–	–	–
Total bulk purchases	12 796	15 617	19 039	20 925	21 561	21 561	21 561	23 299	24 673	26 030
Transfers and grants										
Cash transfers and grants	–	–	–	–	–	–	–	–	–	–
Non-cash transfers and grants	–	–	2 691	2 400	3 634	3 634	3 634	2 810	7 976	8 415
Total transfers and grants	–	–	2 691	2 400	3 634	3 634	3 634	2 810	7 976	8 415
Contracted services										
Electrical Services	7 773	6 471	9 157	559	559	559	559	594	629	663
Refuse collection services (waste removal)				3 837	4 595	4 595	4 595	4 880	5 168	5 452
Parks and Garden maintenance				1 177	1 177	1 177	1 177	1 250	1 324	1 397
Information Technology services/corporate				987	987	987	987	1 048	1 110	1 171
Professional services				634	634	634	634	673	713	752
Security/ Protection Services				2 816	2 816	2 816	2 816	2 990	3 167	3 341
sub-total	7 773	6 471	9 157	10 010	10 768	10 768	10 768	11 436	12 111	12 777
Allocations to organs of state:										
Electricity										
Other										
Total contracted services	7 773	6 471	9 157	10 010	10 768	10 768	10 768	11 436	12 111	12 777
Other Expenditure By Type										
Collection costs	–	–	255	300	300	300	300	319	337	356
Contributions to 'other' provisions	(2 132)	92	984	230	–	–	–	–	–	–
Consultant fees	3 256	2 730	3 020	3 617	3 150	3 150	3 150	2 077	2 221	2 343
Audit fees	603	2 222	2 426	2 500	2 490	2 490	2 490	2 336	2 474	2 610
General expenses	3 709	3 491	1 363	9 017	4 779	4 779	4 779	2 880	2 785	2 939
Repairs and Maintainance	1 820	1 198	6 464	8 311	8 242	8 242	8 242	8 978	15 645	13 960
Subsistence and Travelling	690	1 625	2 594	1 740	2 412	2 412	2 412	2 558	2 708	2 857
Advertising	404	188	602	385	385	385	385	499	529	558
Legal Costs	–	–	–	304	304	304	304	323	342	361
Licenses	–	–	–	709	535	535	535	568	601	634
Stationery,printing and telephone	1 078	1 049	1 391	1 217	1 352	1 352	1 352	1 456	1 542	1 627
Youth, senior citizen, men & women support	–	–	–	–	–	–	–	3 234	3 425	3 614
Postages and courier	17	42	31	35	46	46	46	49	51	54

Table 56 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cleaning materials	300	556	211	180	401	401	401	235	249	262
Electricity,water,refuse& sewerage charges	2 589	1 741	289	1 456	707	707	707	751	795	839
Transport	–	–	–	–	–	–	–	1 051	1 113	1 174
Fuel & oil	766	476	1 049	1 932	1 441	1 441	1 441	1 033	1 894	1 998
Hire of equipment and rentals	400	979	367	127	620	620	620	1 472	1 559	1 645
Uniform and Protective Clothing	–	–	83	422	796	796	796	1 037	1 099	1 159
Training Fees and subscriptions	294	308	236	1 489	859	859	859	1 222	1 294	1 366
Insurance	455	688	1 273	1 152	1 144	1 144	1 144	1 215	2 286	2 412
Public participation	2 202	1 883	2 055	2 906	2 796	2 796	2 796	2 936	3 110	3 281
Pauper burials	–	–	–	201	201	201	201	214	227	239
Ward Upliftment	–	–	–	1 739	2 640	2 640	2 640	2 804	2 970	3 133
EPWP	–	–	–	1 000	2 006	2 006	2 006	1 823	–	–
Accomodation Expense	–	–	–	1 195	1 819	1 819	1 819	1 932	2 046	2 158
Disaster Victims Support and LED	2 296	2 505	–	3 400	4 134	4 134	4 134	3 380	11 579	12 216
Total 'Other' Expenditure	18 746	21 773	24 694	45 567	43 559	43 559	43 559	46 382	62 882	63 794
Repairs and Maintenance by Expenditure Item										
Employee related costs	1 605	2 157	2 443	2 196	4 770	4 770	1 963	2 968	3 216	3 422
Other materials	1 820	1 198	5 491	8 311	8 242	8 242	8 242	8 978	15 645	13 960
Contracted Services	116	1 397	448	326	559	559	559	594	629	663
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	3 541	4 751	8 382	10 833	13 571	13 571	10 764	12 540	19 490	18 045

Table 57 MBRR Table SA2 - Matrix Financial Performance Budget (revenue source/ expenditure type by department)

Description R thousand	Vote 1 - Governance and	Vote 2 - Financial	Vote 3 - Corporate	Vote 4 - Community and Social	Vote 5 - Sports and Recreation	Vote 6 - Public Safety	Vote 7 - Planning and	Vote 8 - Roads Transport	Vote 9 - Environment al Protection	Vote 10 - Other	Vote 11 - Housing	Vote 12 - Electricity	Vote 13 - Water	Vote 14 - Waste Water Management	Vote 15 - Waste	Total
Revenue By Source																
Property rates		23 404														23 404
Property rates - penalties & collection charges																–
Service charges - electricity revenue												26 067				26 067
Service charges - water revenue																–
Service charges - sanitation revenue																–
Service charges - refuse revenue				1 289											5 496	6 785
Service charges - other																–
Rental of facilities and equipment			1 063	224	99					3						1 390
Interest earned - external investments		1 762														1 762
Interest earned - outstanding debtors		1 981	9									142			1 693	3 826
Dividends received																–
Fines				5		393										398
Licences and permits								2 436								2 436
Agency services						1 061										1 061
Other revenue		166	84	154			177	2				219			16	819
Transfers recognised - operational	16 758	13 128	7 657	5 266	2 162	4 037	8 354	6 536		1 277		14 698			2 983	82 855
Gains on disposal of PPE																–
Total Revenue (excluding capital transfers and contributio	16 758	40 440	8 814	6 939	2 262	5 491	8 531	8 974	–	1 279	–	41 125	–	–	10 188	150 801
Expenditure By Type																
Employee related costs	3 337	8 393	6 354	7 837	622	6 131	7 135	5 223		292		339				45 665
Remuneration of councillors	7 393															7 393
Debt impairment															1 454	1 454
Depreciation & asset impairment		4 060														4 060
Finance charges		471														471
Bulk purchases												23 299				23 299
Other materials																–
Contracted services		1 733	3 577		1 250							594			4 281	11 436
Transfers and grants												2 810				2 810
Other expenditure	11 294	7 823	5 346	524	2 121	1 880	5 797	7 747		2 043		2 124			183	46 882
Loss on disposal of PPE																–
Total Expenditure	22 024	22 479	15 277	8 362	3 993	8 011	12 932	12 970	–	2 335	–	29 166	–	–	5 919	143 469
Surplus/(Deficit)	(5 267)	17 961	(6 463)	(1 423)	(1 731)	(2 521)	(4 401)	(3 996)	–	(1 056)	–	11 960	–	–	4 269	7 332
Transfers recognised - capital							26 789					12 000				38 789
Contributions recognised - capital																–
Contributed assets																–
Surplus/(Deficit) after capital transfers & contributions	(5 267)	17 961	(6 463)	(1 423)	(1 731)	(2 521)	22 388	(3 996)	–	(1 056)	–	23 960	–	–	4 269	46 121

Table 58 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
ASSETS										
Call investment deposits										
Call deposits < 90 days	12 207	8 734	22 873	21 318	18 070	18 070	18 070	12 221	13 402	14 713
Other current investments > 90 days					–	–	–	–	–	–
Total Call investment deposits	12 207	8 734	22 873	21 318	18 070	18 070	18 070	12 221	13 402	14 713
Consumer debtors										
Consumer debtors	52 124	59 392	70 045	73 535	74 283	74 283	74 283	88 591	98 719	109 403
Less: Provision for debt impairment	(33 380)	(54 643)	(35 871)	(57 309)	(35 871)	(35 871)	(35 871)	(38 695)	(40 235)	(41 860)
Total Consumer debtors	18 744	4 749	34 174	16 226	38 412	38 412	38 412	49 896	58 484	67 544
Debt impairment provision										
Balance at the beginning of the year	15 820	33 380	33 686	55 940	35 871	35 871	35 871	35 871	37 326	388 656
Contributions to the provision	17 560	24 526	2 185	1 369	–	–	–	1 454	1 540	1 625
Bad debts written off	–	–	–	–	–	–	–	–		
Balance at end of year	33 380	57 906	35 871	57 309	35 871	35 871	35 871	37 326	38 866	390 281
Property, plant and equipment (PPE)										
PPE at cost/valuation (excl. finance leases)	84 839	122 866	147 656	217 994	208 369	208 369	208 369	269 746	314 993	361 754
Leases recognised as PPE	–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation	16 230	19 105	23 256	26 237	23 256	23 256	23 256	31 120	35 401	39 919
Total Property, plant and equipment (PPE)	68 609	103 761	124 400	191 757	185 113	185 113	185 113	238 625	279 591	321 835
LIABILITIES										
Current liabilities - Borrowing										
Short term loans (other than bank overdraft)	–	–	–	–	–	–	–	–	–	–
Current portion of long-term liabilities	1 006	2 464	2 647	4 152	2 647	2 647	2 647	3 722	3 418	3 504
Total Current liabilities - Borrowing	1 006	2 464	2 647	4 152	2 647	2 647	2 647	3 722	3 418	3 504
Trade and other payables										
Trade and other creditors	13 730	20 881	15 680	18 835	19 662	19 662	19 662	31 270	43 666	56 587
Unspent conditional transfers	14 784	7 472	6 043	1 840	–	–	–	–	–	–
VAT	5 987	4 529	5 666	–	5 666	5 666	5 666	5 666	5 666	5 666
Total Trade and other payables	34 500	32 882	27 388	20 676	25 328	25 328	25 328	36 935	49 332	62 252
Non current liabilities - Borrowing										
Borrowing	3 213	5 006	845	18 693	7 014	7 014	7 014	14 890	13 671	14 015
Finance leases (including PPP asset element)	–	–	1 272	–	–	–	–	–	–	–
Total Non current liabilities - Borrowing	3 213	5 006	2 117	18 693	7 014	7 014	7 014	14 890	13 671	14 015
Provisions - non-current										
Retirement benefits	2 403	2 530	2 601	2 978	1 483	1 483	1 483	2 601	2 601	2 601
List other major provision items										
Refuse landfill site rehabilitation	1 835	1 927	3 862	1 927	1 927	1 927	1 927	3 862	3 862	3 862
Other	1 648	1 947	–	1 947	452	452	452			
Total Provisions - non-current	5 886	6 404	6 462	6 852	3 862	3 862	3 862	6 462	6 462	6 462
CHANGES IN NET ASSETS										
Accumulated Surplus/(Deficit)										
Accumulated Surplus/(Deficit) - opening balance	158 131	161 570	177 903	227 800	227 800	227 800	227 800	292 114	345 541	390 308
GRAP adjustments	505	(795)	19 673	–				–	–	–
Restated balance	158 636	160 775	197 576	227 800	227 800	227 800	227 800	292 114	345 541	390 308
Surplus/(Deficit)	2 934	17 128	34 709	34 603	58 457	58 457	58 457	46 121	44 797	44 211
Appropriations to Reserves	–	–	–	–	–	–	–	–	–	–
Transfers from Reserves	–	–	–	–	–	–	–	–	–	–
Depreciation offsets	–	–	–	–	–	–	–	–	–	–
Other adjustments	–	–	–	15 955	5 858	5 858	5 858	(11 348)	(23 742)	(28 817)
Accumulated Surplus/(Deficit)	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702
Reserves										
Housing Development Fund										
Capital replacement										
Self-insurance										
Other reserves										
Revaluation										
Total Reserves	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	161 570	177 903	232 285	278 358	292 114	292 114	292 114	326 887	366 595	405 702

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Demographics											
Population	Census 1996; Census 2001; Census 2011	119 780	119 780	127.398	127 238	127 238	127 238	129 542	134 872	142.965	151.542
Females aged 5 - 14	Census 1996; Census 2001; Census 2011	16 589	16 589	16.030	15 730	15 730	15 730	16 015	16 976	17.994	19.074
Males aged 5 - 14	Census 1996; Census 2001; Census 2011	16 664	16 664	16.197	16 197	16 197	16 197	16 490	17 479	18.528	19.640
Females aged 15 - 34	Census 1996; Census 2001; Census 2011	22 541	22 541	24.644	24 644	24 644	24 644	25 090	26 595	28.191	29.883
Males aged 15 - 34	Census 1996; Census 2001; Census 2011	19 880	19 880	22.692	22 692	22 692	22 692	23.102	24 488	25.957	27.515
Unemployment	Census 1996; Census 2001; Census 2011	15 908	15 908	17.668	17.668	17.668	17.668	17.988	19.067	20.211	21.424
households)											
No income	Census 1996; Census 2001; Census 2011	19 407	19 407	3 953	3 953	3 953	3 953	3 953	4 190	4 442	4 708
R1 - R1 600	Census 1996; Census 2001; Census 2011	5 752	5 752	12 770	12 770	12 770	12 770	12 770	13 536	14 348	15 209
R1 601 - R3 200	Census 1996; Census 2001; Census 2011	396	396	6 281	6 281	6 281	6 281	6 281	6 658	7 057	7 481
R3 201 - R6 400	Census 1996; Census 2001; Census 2011	253	253	2 651	2 651	2 651	2 651	2 651	2 810	2 979	3 157
R6 401 - R12 800	Census 1996; Census 2001; Census 2011	89	89	1 581	1 581	1 581	1 581	1 581	1 676	1 776	1 883
R12 801 - R25 600	Census 1996; Census 2001; Census 2011	30	30	944	944	944	944	944	1 001	1 061	1 124
R25 601 - R51 200	Census 1996; Census 2001; Census 2011	13	13	404	404	404	404	404	428	454	481
R52 201 - R102 400	Census 1996; Census 2001; Census 2011	11	11	90	90	90	90	90	95	101	107
R102 401 - R204 800	Census 1996; Census 2001; Census 2011	11	11	46	46	46	46	46	49	52	55
R204 801 - R409 600	Census 1996; Census 2001; Census 2011	–	–	51	51	51	51	51	54	57	61
R409 601 - R819 200	Census 1996; Census 2001; Census 2011	–	–	–	–	–	–	–	–	–	–
> R819 200	Census 1996; Census 2001; Census 2011	–	–	–	–	–	–	–	–	–	–
Poverty profiles (no. of households)											
< R2 060 per household per month											
Insert description											
Household/demographics (000)											
Number of people in municipal area		119 780					127 238				
Number of poor people in municipal area		-									
Number of households in municipal area		26 954					28 772				
Number of poor households in municipal		-	-	-	–	–	–	-	–	–	–
Definition of poor household (R per		2 060	2 060	2 060	2 060	2 060	2 060	2 185	2 185	2 315	2 455

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year	2014/15 Medium Term Revenue &		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Housing statistics											
Formal		16 331	15 006	24 013	24 013	24 157	25 606	25 606	27 142	28 771	30 497
Informal		398	438	342	342	344	365	365	387	410	435
Total number of households		16 729	15 444	24 355	24 355	24 501	25 971	25 971	27 529	29 181	30 932
Dwellings provided by municipality		-	-	-	-	-		-			
Dwellings provided by province/s		-	-	-	-	-		-			
Dwellings provided by private sector		4 834	1 030	1 030	7 195	4 863	4 863	4 921	5 216	5 529	5 861
Total new housing dwellings		4 834	1 030	1 030	7 195	4 863	4 863	4 921	5 216	5 529	5 861
Economic											
Inflation/inflation outlook (CPIX)					6.5%	6.5%	6.0%	5.6%	5.6%	5.6%	5.6%
Interest rate - borrowing					11.5%	11.5%	8.5%	8.0%	8.0%	8.0%	8.0%
Interest rate - investment					5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Remuneration increases					6.3%	6.3%	6.8%	6.9%	6.9%	6.9%	6.9%
Consumption growth (electricity)					14.0%	14.0%	8.0%	7.0%	7.0%	7.0%	7.0%
Consumption growth (water)					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Collection rates											
Property tax/service charges					83.0%	80.0%	77.0%	83.0%	83.0%	83.0%	83.0%
Rental of facilities & equipment					90.0%	90.0%	77.0%	90.0%	90.0%	90.0%	90.0%
Interest - external investments					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest - debtors					80.0%	80.0%	77.0%	83.0%	83.0%	83.0%	83.0%
Revenue from agency services					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
	Energy:										
	Electricity (at least min.service level)		14 124	14 124	16 700	14 380	14 380	14 380	17 702	17 765	19 890
	Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		14 124	14 124	16 700	14 380	14 380	14 380	17 702	17 765	19 890
	Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
	Other energy sources		12 830	12 830	12 072	13 052	13 052	13 052	12 796	13 564	17 378
	Below Minimum Service Level sub-total		12 830	12 830	12 072	13 052	13 052	13 052	12 796	13 564	17 378
	Total number of households		26 954	26 954	28 772	27 432	27 432	27 432	30 498	31 329	37 268
	Refuse:										
	Removed at least once a week		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Removed less frequently than once a week		–	–	–	–	–	–	–	–	–
	Using communal refuse dump		197	197	1 501	201	201	201	1 591	1 686	1 788
	Using own refuse dump		16 552	16 552	81 046	16 852	16 852	16 852	85 907	91 063	96 527
	Other rubbish disposal		221	221	2 341	225	225	225	2 481	2 630	2 788
	No rubbish disposal		4 794	4 794	17 576	4 870	4 870	4 870	18 631	19 749	20 933
	Below Minimum Service Level sub-total		21 764	21 764	102 464	22 148	22 148	22 148	108 610	115 128	122 036
	Total number of households		21 764	21 764	102 464	22 148	22 148	22 148	108 610	115 128	122 036
Municipal entity services											
	Household service targets (000)										
Name of municipal entity	*Water:*										
	Piped water inside dwelling										
	Piped water inside yard (but not in dwelling)										
	Using public tap (at least min.service level)										
	Other water supply (at least min.service level)										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Using public tap (< min.service level)										
	Other water supply (< min.service level)										
	No water supply										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Name of municipal entity	*Sanitation/sewerage:*										
	Flush toilet (connected to sewerage)										
	Flush toilet (with septic tank)										
	Chemical toilet										
	Pit toilet (ventilated)										
	Other toilet provisions (> min.service level)										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Bucket toilet										
	Other toilet provisions (< min.service level)										
	No toilet provisions										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–
Name of municipal entity	*Energy:*										
	Electricity (at least min.service level)										
	Electricity - prepaid (min.service level)										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Electricity (< min.service level)										
	Electricity - prepaid (< min. service level)										
	Other energy sources										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–
Name of municipal entity	*Refuse:*										
	Removed at least once a week										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Removed less frequently than once a week										
	Using communal refuse dump										
	Using own refuse dump										
	Other rubbish disposal										
	No rubbish disposal										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Services provided by 'external me			2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Names of service providers	Household service targets (000)										
	Water:										
Zululand District Municipality	Piped water inside dwelling		1 632	1 632	17 239	1 652	1 654	1 654	18 273	19 370	20 532
	Piped water inside yard (but not in dwelling)		9 533	9 533	41 611	9 705	9 706	9 706	44 108	46 754	49 559
	Using public tap (at least min.service level)		1 780	1 780	15 569	1 812	1 812	1 812	16 503	17 493	18 543
	Other water supply (at least min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
	Using public tap (< min.service level)		–	–	–	–	–	–	–	–	–
	Other water supply (< min.service level)		–	–	–	–	–	–	–	–	–
	No water supply		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
Names of service providers	*Sanitation/sewerage:*										
Zululand District Municipality	Flush toilet (connected to sewerage)		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Flush toilet (with septic tank)		–	–	–	–	–	–	–	–	–
	Chemical toilet		–	–	–	–	–	–	–	–	–
	Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
	Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Bucket toilet		–	–	–	–	–	–	–	–	–
	Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
	No toilet provisions		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
Names of service providers	*Energy:*										
	Electricity (at least min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
	Other energy sources		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Services provided by 'external me			2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Names of service providers	Household service targets (000)										
	Water:										
Zululand District Municipality	Piped water inside dwelling		1 632	1 632	17 239	1 652	1 654	1 654	18 273	19 370	20 532
	Piped water inside yard (but not in dwelling)		9 533	9 533	41 611	9 705	9 706	9 706	44 108	46 754	49 559
	Using public tap (at least min.service level)		1 780	1 780	15 569	1 812	1 812	1 812	16 503	17 493	18 543
	Other water supply (at least min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
	Using public tap (< min.service level)		–	–	–	–	–	–	–	–	–
	Other water supply (< min.service level)		–	–	–	–	–	–	–	–	–
	No water supply		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
Names of service providers	*Sanitation/sewerage:*										
Zululand District Municipality	Flush toilet (connected to sewerage)		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Flush toilet (with septic tank)		–	–	–	–	–	–	–	–	–
	Chemical toilet		–	–	–	–	–	–	–	–	–
	Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
	Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Bucket toilet		–	–	–	–	–	–	–	–	–
	Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
	No toilet provisions		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
Names of service providers	*Energy:*										
	Electricity (at least min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
	Other energy sources		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Description of economic indicator	Basis of calculation	2001 Census	2007 Survey	2011 Census	2010/11	2011/12	2012/13	Current Year 2013/14	2014/15 Medium Term Revenue & Expenditure Framework		
					Outcome	Outcome	Outcome	Original Budget	Outcome	Outcome	Outcome
Name of municipal entity	*Sanitation/sewerage:*										
	Flush toilet (connected to sewerage)										
	Flush toilet (with septic tank)										
	Chemical toilet										
	Pit toilet (ventilated)										
	Other toilet provisions (> min.service level)										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Bucket toilet										
	Other toilet provisions (< min.service level)										
	No toilet provisions										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–
Name of municipal entity	*Energy:*										
	Electricity (at least min.service level)										
	Electricity - prepaid (min.service level)										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Electricity (< min.service level)										
	Electricity - prepaid (< min. service level)										
	Other energy sources										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–
Name of municipal entity	*Refuse:*										
	Removed at least once a week										
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Removed less frequently than once a week										
	Using communal refuse dump										
	Using own refuse dump										
	Other rubbish disposal										
	No rubbish disposal										
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

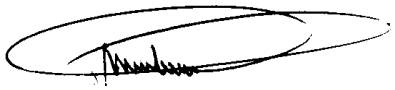
Services provided by 'external me			2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Names of service providers	Household service targets (000)										
	Water:										
Zululand District Municipality	Piped water inside dwelling		1 632	1 632	17 239	1 652	1 654	1 654	18 273	19 370	20 532
	Piped water inside yard (but not in dwelling)		9 533	9 533	41 611	9 705	9 706	9 706	44 108	46 754	49 559
	Using public tap (at least min.service level)		1 780	1 780	15 569	1 812	1 812	1 812	16 503	17 493	18 543
	Other water supply (at least min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
	Using public tap (< min.service level)		–	–	–	–	–	–	–	–	–
	Other water supply (< min.service level)		–	–	–	–	–	–	–	–	–
	No water supply		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		12 945	12 945	74 419	13 169	13 172	13 172	78 884	83 617	88 634
Names of service providers	*Sanitation/sewerage:*										
Zululand District Municipality	Flush toilet (connected to sewerage)		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Flush toilet (with septic tank)		–	–	–	–	–	–	–	–	–
	Chemical toilet		–	–	–	–	–	–	–	–	–
	Pit toilet (ventilated)		–	–	–	–	–	–	–	–	–
	Other toilet provisions (> min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
	Bucket toilet		–	–	–	–	–	–	–	–	–
	Other toilet provisions (< min.service level)		–	–	–	–	–	–	–	–	–
	No toilet provisions		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		2 452	2 452	9 161	2 496	2 496	2 496	9 711	10 293	10 911
Names of service providers	*Energy:*										
	Electricity (at least min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (min.service level)		–	–	–	–	–	–	–	–	–
	Minimum Service Level and Above sub-total		–	–	–	–	–	–	–	–	–
	Electricity (< min.service level)		–	–	–	–	–	–	–	–	–
	Electricity - prepaid (< min. service level)		–	–	–	–	–	–	–	–	–
	Other energy sources		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		–	–	–	–	–	–	–	–	–
	Total number of households		–	–	–	–	–	–	–	–	–

Table 59 MBRR Table SA9 – Social, economic and demographic statistics and assumptions (Continued)

Services provided by 'external mechanisms'			2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue &		
			Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Names of service providers	*Refuse:*										
Various Contractors	Removed at least once a week		4 493	4 493	19 871	4 574	4 574	4 574	21 065	22 328	23 667
	Minimum Service Level and Above sub-total		4 493	4 493	19 871	4 574	4 574	4 574	21 065	22 328	23 667
	Removed less frequently than once a week		697	697	2 862	710	710	710	3 033	3 215	3 409
	Using communal refuse dump		–	–	–	–	–	–	–	–	–
	Using own refuse dump		–	–	–	–	–	–	–	–	–
	Other rubbish disposal		–	–	–	–	–	–	–	–	–
	No rubbish disposal		–	–	–	–	–	–	–	–	–
	Below Minimum Service Level sub-total		697	697	2 862	710	710	710	3 033	3 215	3 409
	Total number of households		5 190	5 190	22 733	5 284	5 284	5 284	24 098	25 543	27 076

2.13 Municipal manager's quality certificate

I N M Mabaso, acting municipal manager of uPhongolo Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.



N M Mabaso

Municipal Manager of uPhongolo Municipality (KZN262)

Date 9 April 2014